



# State of Maryland Comprehensive Annual Financial Report

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*for the fiscal year ended June 30, 2001*

*Prepared by the Comptroller of Maryland*



William Donald Schaefer



COMPTROLLER  
*of* MARYLAND  
*Serving the People*

**William Donald Schaefer**  
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**Gerald Langbaum, Esquire**  
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**Mary F. Leonard, CPA**  
*Assistant Director*

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*Terrence Kisner*  
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**Administrative Support:**  
*Brenda Brady*

**Accountants:**  
*Leon Booker*  
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# *State of Maryland*

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# **THE CHANGING FACE OF MARYLAND**



William Donald Schaefer  
Maryland State Comptroller



# *The Changing Face of Maryland*

Sources include the U. S. Census Bureau, the U. S. Bureau of Economic Analysis, Maryland State Government, the Chesapeake Bay Foundation, the University of Baltimore, and other organizations.

*During the past year, Marylanders looked in the mirror of the 2000 census results and saw reflected a different demographic – a new face for the start of the 21<sup>st</sup> century.*

*The new millenium reveals more Marylanders than ever before, 515,000 more than in 1990, bringing the number of men, women, children who make their homes in the nation's 19th most populous state to 5.3 million.*

*The numbers themselves are intriguing, the people behind them even more so. Who are these 5.3 million Marylanders? Where do they live? What is their cultural heritage? What do they do for a living? What quality of life and opportunities do they enjoy? Who are the many faces of Maryland? This year's Maryland Comprehensive Annual Financial Report looks at how the census and other information sources answer those questions.*

*Comptroller of Maryland*

# The many faces of Maryland

## THE PEOPLE

In 2000, Marylanders were more racially and ethnically diverse and more suburban than they had been just ten years earlier. Increases in the number of African-Americans, Asians, Hispanics, and other minorities explain all of Maryland's population growth of just over a half-million people since 1990.

In spite of increasing diversity, the face of Maryland is still largely a portrait in black and white, with white Marylanders accounting for 64 percent of the population and African-Americans for almost 28 percent. But the state's Hispanic population increased by 82 percent, while Asians and Pacific Islanders grew by almost 53 percent, showing that the changing face of Maryland is multi-ethnic and multi-cultural. According to the Census Bureau's Census 2000 Supplemental Survey, one in ten Maryland residents, or 10.3 percent of the population, is foreign-born.

Maryland's fastest growing subdivisions reflect the increasing suburbanization of the population. The 45 percent population growth of

**Maryland's most populous subdivision is wealthy Montgomery County in suburban Washington, D.C., with 837,341 residents in 2000. The least populous was Kent County on the Eastern Shore, with 19,197.**



Tom Nappi, Maryland Department of Human Resources

*Maryland's recent population growth is entirely due to increases in the number of Asians and other minority groups.*

**Maryland's fastest growing county, Calvert, which saw a population increase of 45 percent between 1990 and 2000 is also the smallest in land area, with just 220 square miles.**

Calvert County, the state's fastest growing county, in formerly rural southern Maryland, reflects its popularity as a residential community for Washington metro area commuters. Maryland's second fastest growing subdivision, with an almost 33 percent population increase, was Worcester County, home of the state's famous beach resort, Ocean City.



Tom Nappi, Maryland Department of Human Resources

*From 1990 to 2000, Maryland's Hispanic population increased by 82 percent. More than 10 percent of the state's population is now foreign-born.*

According to the 2000 census, Maryland's center of population, which is located in eastern Howard County, has moved just six miles in the last 50 years. Nearly 70.5 percent of Maryland residents live in the eight counties (four older suburban counties - Anne Arundel, Baltimore, Montgomery and Prince George's and the four newer suburban counties - Carroll, Harford, Howard and Frederick) that surround Baltimore and Washington, D.C.

**Today, with almost 5.3 million residents, Maryland is the 19<sup>th</sup> most populous state in the nation.**

**In the very first census of 1790, when Chestertown, Maryland, was the population center of the young nation, Maryland's population was 319,728.**

# *The affluent face of Maryland*

## INCOME AND EDUCATION

Maryland's skilled workforce is a key to the state's prosperity. Maryland residents have the fourth highest median household income, \$52,436, in the nation. The state also has one of the lowest poverty rates in the nation, ranking 43<sup>rd</sup>, with 9.3 percent of the population living below the poverty level.

Marylanders are among the best-educated and most prosperous people in America. Maryland's educational advantage starts with a public school system that ranks fourth highest in the nation in percentage of high schools offering Advanced Placement courses. In 1999, Maryland received the Gold Star from the National Education Goals Panel, an independent executive branch agency of the federal government, for having the nation's highest high school completion rate. The state ranks first among the states in the percentage of professional and technical workers in the labor force, reflecting Maryland's growing high-tech sector. It ranks fifth in the nation in the percentage of the population with a bachelor's degree or higher and fourth among the states in doctoral scientists and engineers per 100,000 population.



Courtesy of UMBC

*The University System of Maryland includes 13 institutions serving 130,000 students, among them, these at the University of Maryland, Baltimore County.*

**Today, *U.S. News and World Report* ranks Johns Hopkins University first in graduate biomedical engineering and for its Bloomberg School of Public Health.**

**The university is renowned for research in medicine and basic sciences. The magazine ranks St. Mary's College of Maryland, in St. Mary's City, the site of Maryland's first capital, as the top public liberal arts college in the nation.**



Courtesy of UMBC

*The Albin O. Kuhn Library and Gallery at UMBC*

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**The University of Maryland, Baltimore County leads all public research universities in the nation in the production of computer science bachelor degrees.**

# *The prosperous face of Maryland*

## BUSINESS AND THE ECONOMY

Whether they are sequencing the human genome, building parts for space shuttles, or making components and devices used in open heart surgery, Maryland's high-tech businesses have used the state's skilled workforce, substantial research and development resources, and excellent transportation and telecommunications infrastructures to build a vibrant economy.

Maryland ranks sixth among the states in per capita spending in total research and development, second in federally performed R & D, and second in university R & D. As home to more than 300 bioscience companies and federal institutions, including the only ones in the nation sequencing the complete human genome, the state is in the forefront of biotechnology innovation. From the National Institutes of Health to the Johns Hopkins Applied Physics Laboratory, some of the most advanced research in the nation is happening right here in Maryland.



Martin Guinane, Governor's Office of Smart Growth

*The revitalization of small towns, such as Easton on Maryland's Eastern Shore, has stabilized threatened commercial areas and helped to stem the loss of open space.*

***Governing* magazine gives the state A's and B's for fiscal climate in such categories as financial management, capital management, and information technology. The state improved or maintained the same grade in every category from 1999 to 2001.**

Information technology is another cornerstone of Maryland's 21<sup>st</sup> century economy. Maryland ranks fourth nationwide by employment in defense electronics manufacturing, fifth in software services, and eleventh in communications equipment manufacturing.

Strong federal defense spending - \$8.6 billion in 2000, ranking fifth among the states - also bolsters the state's economy, paying for goods and services, construction, and salaries on federal installations and through private contractors.



*The promotion of heritage resources has helped tourism become the state's third largest industry and the mainstay of the economy of the capital city of Annapolis.*

These and other industries are supported by one of the best transportation and telecommunications infrastructures in the nation. Not only does Maryland offer one of the best maintained and most extensive highway systems (ranking sixth in interstate and freeway miles per square mile); it also boasts Baltimore/Washington International Airport, the fastest-growing airport in the nation and the region's busiest airport, with more than 20 million passengers annually. The Port of Baltimore is located 200 miles closer to the Midwest than any other Atlantic seaport. In 2000, the port's container ranking rose from 15<sup>th</sup> to 13<sup>th</sup> among almost 300 U.S. ports, a significant increase.

Because of these and other economic strengths, Maryland ranked 19<sup>th</sup> nationally in total job growth over the 1995-2000 period, up from fortieth from 1990 to 1995. Recent performance has been even better, with the state ranking 15<sup>th</sup> in total job growth over the 1999 to 2000 period.

A diverse group of Marylanders have contributed to the state's business growth and prosperity, with Maryland having the eighth highest number of minority firms in the nation.

# *The captivating face of Maryland*

## QUALITY OF LIFE

When Captain John Smith explored the land around the Chesapeake Bay we now call Maryland in 1607 and 1608, he said, "Heaven and earth never agreed better to frame a place for man's habitation...Here are mountains, hills, plains, valleys, rivers, and brookes, all running more pleasantly into a faire bay, compassed but for the mouth, with fruitful and delightful land."

Today, Maryland's natural beauty and variety, historic and cultural attractions, major league sports teams, and other quality of life measures still attract new residents and visitors alike. From the surf and sand of the Atlantic Ocean to the mountains of western Maryland, the state truly is "America in Miniature."

At the heart of Maryland is the majestic body of water H. L. Mencken called an "immense protein factory." Maryland's jewel, the Chesapeake Bay, is still that and much more. The largest estuary in North America, what Marylanders know simply as "the bay" is the state's jewel – an economic, natural, and cultural treasure that is a key to the state's quality of life. Thanks to the bay and its tributaries, Maryland has the eighth longest tidal shoreline among the states – 3,190 miles.

Maryland has worked hard to preserve the beautiful land and water that so enchanted Captain Smith, earning the Sierra Club's most recent rating (1999) as having the best open space protection program in the country. The state's agricultural land preservation program, which has preserved almost 186,000 acres



Phil Hoffmann, Baltimore Ravens

*World Champion Baltimore Ravens wide receiver Qadry Ismail shows his winning form.*

**In 2001, for the 11<sup>th</sup> consecutive year, U.S. News & World Reports annual ranking of American hospitals rated the Johns Hopkins Hospital in Baltimore number one.**



*Maryland's collection of state and other public parks is unsurpassed by any other state in the nation.*

through easements, was one of the first programs of its kind in the nation and is one of the two most successful in terms of number of acres preserved.

The historically significant 1987 Chesapeake Bay Agreement between Maryland, Virginia, Pennsylvania, the District of Columbia, the Environmental Protection Agency, and the Chesapeake Bay Commission, was renewed in 2000, and will guide the restoration of the Chesapeake Bay through 2010.

Each year, thousands of Marylanders support the Chesapeake Bay and Maryland's natural resources by donating to the "Chesapeake Checkoff" on their Maryland

income tax returns, collected and distributed by the Comptroller of Maryland, and by buying Chesapeake Bay commemorative license plates. The Chesapeake Bay commemorative plate program is one of the oldest, at ten years, and most successful, generating \$10 million to date, in the nation.

Rich cultural resources are another key to Maryland's quality of life. From the widely acclaimed Baltimore Symphony Orchestra to the Baltimore Museum of Art, with its renowned Cone Collection, Marylanders have a wide array of cultural choices. Major league sports teams, Baltimore's famous inner harbor, and the charm of the more than 300-year-old capital city of Annapolis all add to the state's incomparable quality of life.



*Thanks to extensive conservation efforts, the once threatened osprey is now a frequent sight along the Chesapeake Bay, North America's largest estuary.*



# INTRODUCTORY SECTION

# STATE OF MARYLAND

## SELECTED STATE OFFICIALS

### EXECUTIVE

Parris N. Glendening  
*Governor*

Kathleen Kennedy Townsend  
*Lieutenant Governor*

William Donald Schaefer  
*Comptroller*

J. Joseph Curran, Jr.  
*Attorney General*

Richard N. Dixon  
*Treasurer*

### JUDICIAL

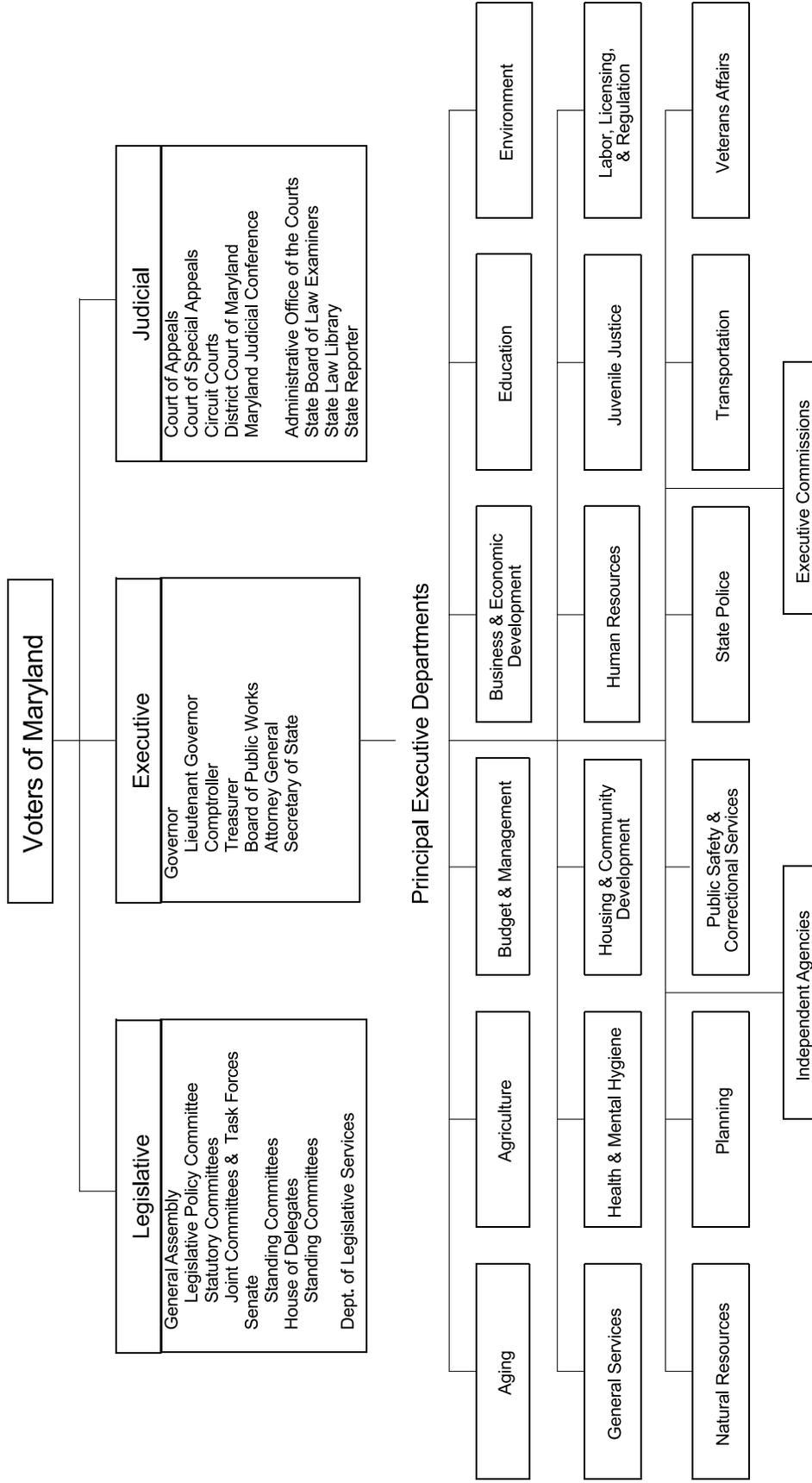
Robert M. Bell  
*Chief Judge*  
*Court of Appeals of Maryland*

### LEGISLATIVE

Thomas V. M. Miller, Jr.  
*President of the Senate*  
*(47 Senators)*

Casper R. Taylor, Jr.  
*Speaker of the House of the Delegates*  
*(141 Delegates)*

# OVERVIEW OF MARYLAND STATE GOVERNMENT



# Certificate of Achievement for Excellence in Financial Reporting

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Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Imelda Aruete*  
President

*Jeffrey L. Essler*  
Executive Director



**William Donald Schaefer**  
*Comptroller*

**John D. Kenney**  
*Director*  
*General Accounting Division*

Honorable Members of the General  
Assembly and the Governor,  
State of Maryland:

November 26, 2001

## INTRODUCTION

The Comprehensive Annual Financial Report of the State of Maryland, for the fiscal year ended June 30, 2001, submitted herewith, includes financial statements of the State of Maryland as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller. I believe that the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

This Report is presented in three sections; introductory, financial, and statistical. The introductory section includes this transmittal letter, the State's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the report of independent auditors on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The accompanying financial statements include all funds and account groups of the State of Maryland (primary government), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. Accordingly, the various colleges and universities, the Maryland Industrial Development Financing Authority, the Maryland Stadium Authority, the Maryland Food Center Authority, the Maryland Environmental Service and the Maryland Prepaid College Trust are reported as discretely presented component units.

## The Maryland Economy

Prior to September 11, Maryland's economy was holding up extremely well given the state of the national economy. Employment growth has slowed substantially, with a year-over-year increase of 0.5% in September, down from a rate of 2.1% in February and 2.9% one year ago. Nonetheless, unemployment remains at historically low levels and, from October 2000 through July, was exhibiting a downward trend while U.S. unemployment was generally increasing. By most other measures, Maryland has outperformed the nation over the past twelve months, and looked to have much better near-term prospects than the country as a whole. While the terrorist attacks and their aftermath have lowered expectations for the State, they have not changed the fact that the State's economy is well positioned for the next two years and should continue to show strong performance relative to the rest of the country.

Maryland has performed better than the rest of the country for several reasons. The nationwide slowdown was led by the manufacturing sector, which is roughly half the size in Maryland as nationally, and Maryland manufacturers have fared better than their counterparts across the nation. Employment in this sector was down 3.4% in September from year-ago levels, compared to a nationwide decline of 5.3%. The sector most at risk nationwide has been relatively secure in Maryland, and, as measured by job growth and unemployment, Marylanders generally have less cause for concern over the prospect of losing their jobs than other Americans.

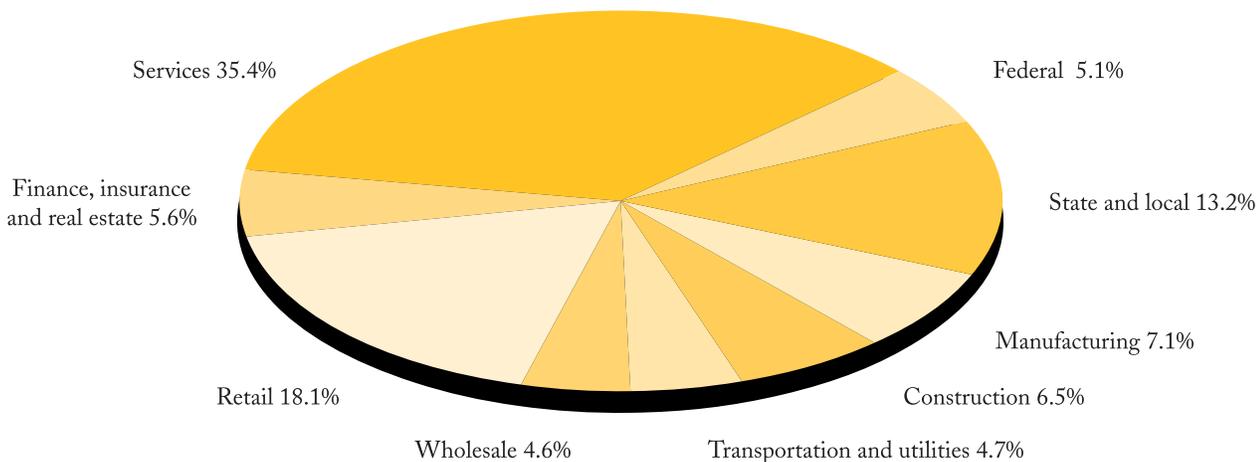
Another reason for Marylanders to have more confidence about the economic situation is that Maryland is a high-income state, and almost certainly a high-wealth state as well. In every year from 1990 to 2000, Maryland had the sixth-highest per capita income in the nation. Personal income grew at an annual rate of 6.8% in the first quarter of 2001, compared to 6.1% nationwide. The disparity is even more striking when looking at wage and salary income; growth in Maryland was 8.5% in the first quarter, more than one full percentage point better than the 7.3% growth nationwide. The net effect is that Marylanders are much more likely to possess the ability to withstand a job loss, at least for a short time, and, therefore, have much less reason to cut back on spending, which would further weaken the economy.

September 11 has not as yet produced a significant change to this calculus. The slowdown had just reached Maryland over the summer, and while it will now be a more pronounced slowdown, it will not change the relative position of Maryland. In some respects, the State's advantage will increase, particularly as a result of increased federal expenditures. Located as it is near the nation's capital and in the midst of the Bos-Wash megalopolis, however, Maryland's current position could evaporate overnight if terrorists were to strike in the region again.

While the outlook is gloomier than it was before September 11, growth in employment is expected to continue in Maryland. Nonagricultural employment growth will slow from 2.7% in 2000 to 1.0% in 2001, further declining to a nadir of 0.5% in 2002. Employment will bounce back strongly in 2003, with growth estimated at 2.3%. The story is much the same with personal income, with growth slowing from 6.8% in 2000 to 3.5% in 2002, before

### EMPLOYMENT BY SECTOR — 2001 FORECAST

*Total jobs 2,447,700*



*Source: Bureau of Revenue Estimates of Maryland State Comptroller's Office, June 30, 2001.*

accelerating to 5.6% in 2003. The slowdown or recession seems likely to affect Maryland much less severely than that of the early 1990s.

Employment in Maryland's manufacturing sector continues to decline, with September 2000 manufacturing employment the lowest since January 1996. The short-term outlook continues this decline with decreases in employment through 2002. The long-term outlook is slightly better with small increases in employment in 2003 and 2004, however Maryland will continue to lag behind the nation in this sector.

After many years of money-losing research and small-scale production, Maryland's biotech research companies continue to be optimistic about their future. Several claim to be about to turn the corner on profitability and begin manufacturing products. Other biotech companies are benefiting from the fear of further terrorist attacks with contracts for vaccine production and diagnostic tests for biological agents.

The Department of Defense awarded a 40-year \$200 billion contract to a consortium led by Bethesda-based Lockheed Martin to build the F-35 Joint Strike Fighter. In Maryland, Northrup Grumman's Linthicum-based Electronic Systems will be responsible for development and production of fire control radar and other electronic systems, which will occupy 400 to 600 employees.

Maryland's construction sector continues to considerably outpace the State's economy as a whole. Following a sterling 1999, with employment growth of 6.1%, the industry posted 4.0% growth in 2000. While the pace of growth will slow, a continued backlog of projects, major public projects and low interest rates will keep this sector atop Maryland's economy. Over the next six years, construction of the new \$2.4 billion Wilson Bridge over the Potomac will keep many in the construction sector busy. According to the Federal Highway Administration, this project alone will directly create almost 19,000 jobs, although not all will be on-site. Other transportation-related projects will provide jobs in the construction sector through the forecast period, including major interstate interchanges and an 8,400 space parking garage and 31 gate terminal at BWI, part of the airport's \$1.8 billion expansion.

Increasing vacancy rates in both office and industrial markets will be a drag on the construction sector. The vacancy rate in downtown Baltimore for class A office space has edged above 10%, and the rate in the BWI area for all office space increased from 7% at the end of 2000 to 9.5% six months later. The vacancy rate for the Baltimore metropolitan area as a whole stood at 11.2% in mid-2001, rising from a low of 8.6% at the end of 1999. In the Washington, D.C. metropolitan area, the market is tighter, but vacancy rates are increasing, having risen over one percentage point to 4.9% in the first two quarters of 2001. Available evidence indicates that much of this rise is due to the technology slowdown primarily affecting Northern Virginia, but affecting Montgomery County, Maryland as well.

The market for hotels in the State may not yet be sated, even in the wake of September 11. Construction is expected to begin shortly on two hotels in Baltimore. At the airport, construction has begun on a 131-room hotel.

Low interest rates have caused a continuation of the housing boom. Housing starts have been relatively steady since 1998, when interest rates first reached a consistent 7%, and have maintained a level roughly 20% higher than the average of 1994 through 1997. Starts are expected to increase by 3% annually each year in 2001 through 2003, at which point they will be at their highest level since 1990, immediately prior to the last recession.

Clearly, a downside risk for construction is a continued deterioration of the economy. The State has embargoed \$133 million of PAYGO capital projects. It seems probable that additional cutbacks will occur in the course of resolving the State's impending budgetary problems. There are a large number of projects in the planning stages and underway, however, so the impact of any reduction by the State will not be felt for several years. As private businesses and institutions come under financial pressures as the slowdown continues, other projects may be eliminated as well. Nonetheless, construction employment is expected to increase by 3.2% in 2002, by far the best performance of any sector, and by a further 2.2% in 2003.

No industry in Maryland has been more affected by the impact of the terrorist attacks than the transportation industry. Although there have been some offsetting factors, the impact is decidedly negative. The Baltimore-Washington International airport (BWI), the nation's fastest growing, has long been thought of as one of the major drivers of the State's economy. Events of September 11 have slowed activity at the airport and its environs, but while the short-term impact may be severe, the airport's long-term prospects remain strong. The most immediate impact of the terrorist attacks was the complete shutdown temporarily of aviation across the country. The cost of the closure on the State's economy has been estimated at \$20 million.

The news is not entirely bad, however. Current expansion plans at the airport call for sixteen additional gates; airport officials report a waiting list for gates and do not anticipate difficulty remaining at full capacity in the coming year. Cargo passing through the airport actually increased by 5.1% in September over the prior September. Airport

officials believe this reflects a move towards well-known carriers and airports and the fact that BWI moved to a full flight schedule relatively quickly.

The Port of Baltimore has continued to grow, though not as dynamically as the airport. Over the past year, the Port has signed agreements with seven major shipping companies, including Wallenius Wilhelmsen, Amports, and the Mediterranean Shipping Company. The ten-year contract with the Mediterranean Shipping Company makes the Port the first port of call from South America, and will bring in an additional 20,000 containers annually, supporting 250 jobs.

Following 3.2% growth in 2000, the transportation sector had been expected to slow along with the slowing economy; through September, the sector was nearly flat. As a result of the dramatic decline in travel, however, the sector is now expected to contract by 0.8% this year and by nearly that much next year, before resuming growth in 2003.

Deregulation of electric generation in Maryland continues to change the face of the industry. All but one of the major investor-owned utilities in the State are in the midst of major reorganizations, virtually divesting themselves of the unregulated electric generation business. Employment in the utility sector will not change dramatically. The distribution activities of the utilities may grow slightly, offset by reductions in the employment of Constellation Energy and the non-utility owners of Maryland electric generating plants. Most of the potential reductions in employment in the cable/satellite television and long distance telephone operations are expected to be outside Maryland as the State does not have large employment centers.

Maryland is slightly more dependent on retail employment than other states with 18.1% of employment in the retail sector, compared with 17.6% for the entire U.S. Retail employment has slipped to the third largest sector of employment in Maryland, trailing the much larger service sector and the narrowly larger public sector. Employment is expected to increase slowly beginning in the second half of 2002. During much of 2001, consumer spending kept the economy growing while other factors were tending toward recession. As the year wore on, announcements of layoffs by several major companies started to affect spending. Quality retail locations have been in short supply in the northeast, which has constrained growth. As stores such as Montgomery Wards and Ames close, other retailers are quickly acquiring those locations. Sales per square foot in Maryland continue to be about 50% higher than comparable stores in other parts of the US.

Overall, employment in the retail sector is expected to contract by about 2,200 jobs to 554,500 in 2001, but to recover slowly beginning in 2002. Employment is expected to be 557,700 in 2002, and increasing by about 1.6% annually through 2004. Growth in employment in the 1999 to 2004 period is expected to be 1.0%, slightly behind the national average of 1.3%.

The finance, insurance and real estate (FIRE) sector has been affected by several developments over the past year, though none was particularly unexpected. First and foremost, the continued decline in the stock markets has taken a toll on earnings, morale and, in some cases, jobs. An ongoing process of mergers and restructuring brought about in part by the repeal of the Glass-Steagall act continues apace, and the impact of service delivery through the internet continues to evolve. Employment in the sector declined by 0.9% in 2000, following two years of nearly 3% growth.

The insurance industry is another sector which will be directly and substantially affected by the terrorist attacks. Total losses have been estimated between \$30 billion and \$60 billion, the largest ever single-event loss. The industry, which was already experiencing difficulties due to the slowing economy and investment losses, employs over 20,000 individuals in Maryland. Two of the largest employers, which together have almost 10% of the industry's jobs in the State, are expecting over \$1 billion of combined losses.

Prior to September 11, the FIRE sector seemed likely to weather the economic slowdown in general, and the slumping stock market and declining interest rates in particular, without experiencing a contraction. Following September 11, however, the outlook is more pessimistic. Growth in 2001 is estimated at 1.3%, before declining by 0.2% in 2002.

Maryland's economy, as that of many states, is increasingly dominated by services. In 1990, service employment accounted for 28.7% of total employment in the State. Ten years later, services accounted for over 35% of Maryland employment. Although the service sector has jockeyed back and forth with construction as Maryland's fastest growing industry over the past six years, this sector has been a much more stable performer and has added over six times the jobs that the construction sector has. In fact, of the 280,000 jobs created in the State since 1990, over 236,000 of them have been created in the service sector.

The business services sector encompasses a diverse group of businesses, from temporary employment agencies to computer and data processing services to janitorial services. Employment in business services increased by an average of 5.3% annually in the three years up to 2000. As much of this growth was driven by technology-related services, it

may come as no surprise that this segment will contract slightly in 2001 and 2002. Although Maryland largely avoided fallout from the dot.com debacle, the State has not escaped entirely.

In some respects, nothing new has developed in the health services sector. Employment growth has slowed to a crawl since 1998; this sector may be the only one still suffering from a severe labor shortage. The Maryland Hospital Association estimated unfilled demand for almost 3,700 positions in Maryland hospitals in 2000, including a shortfall of nearly 1,700 registered nurses. Maryland has a greater vacancy rate for both RNs and lab technicians than the rest of the country. The shortage has forced hospitals to raise salaries and offer bonuses and scholarships to attract and retain personnel. These steps and others have placed increasing pressure on hospital operating margins. Over one-third of hospitals in the State lost money last year. The average profit margin declined from 2.2% in the last quarter of 1999, to 1.6% in the last quarter of 2000. In what may be one tidbit of good news for the hospitals, nurses at several hospitals have rejected calls over the past year from the Service Employees International Union to unionize.

Employment in the public sector continues to grow in Maryland, although the proportion of public employment to private employment has been slipping. Public employment now stands at approximately 18.3% of all employment in the State, the second largest sector of the economy after services, and just slightly larger than the retail sector. The proportion of Maryland jobs in the public sector remains higher than the national average of 15.6%. Total growth in government employment is expected to be slightly less than 1% through 2003.

Local government employment will continue to grow rapidly through 2001. Education accounts for roughly half of local government employment, and demand for teachers remains strong. The growth in local employment has been constrained by the inability to construct classrooms and hire qualified teachers as rapidly as they are needed. Growth in local government employment is expected to continue, but at a slower rate in 2002 and 2003. Direct intergovernmental transfers from the State to local governments amount to over \$3.5 billion annually; local governments will feel pressure on the budget as State tax revenues slow and the possibility of reduced transfers from the State increases. Increases in property tax revenues will partially offset other losses, but not at a rate sufficient to avoid drags on employment growth.

Likewise, State employment has continued to grow, but growth will slow in the coming years. It is expected State employment will remain stable through 2002 and will increase slightly in 2003. In addition to spending by the Federal government for security, military operations, and economic stimulus programs, the loss of any attempt to balance the federal budget will likely release a flood of other projects and programs. Just how these programs will affect Maryland will depend on how they are conducted, but a general increase in federal spending has historically been a boon for Maryland's economy. Prior to September 11, the forecast for federal employment growth in Maryland was 0.5% in 2001; growth of 1.0% is now likely. The growth of various security agencies, including Maryland's second largest employer, the National Security Agency, will drive overall growth to a large extent.

The contribution of the Chesapeake Bay to the dinner tables of Americans continues to decline as pollution, over-harvesting, and disease all contribute to lower the volume of food taken from the Bay. Production of food and feed crops was generally down 5% -10% from the near record high 2000 levels, but still above average. Prices for these crops are only slightly higher than the low 2000 levels. Not surprisingly, the biggest change is in tobacco, where the State buyout of tobacco farmers makes growing tobacco less profitable than not growing it. Assuming the State continues to funnel 5% of the tobacco industry settlement into the buyout program and that revenues from the settlement remain as predicted, production is expected to continue to fall in the upcoming years.

## MAJOR INITIATIVES

New laws enacted by the 2001 General Assembly and signed by Governor Parris N. Glendening focused on education, smart growth and transit. Operating budgets for higher education increased by \$159 million. Aid for primary and secondary schools increased by \$203 million. The capital budget includes over \$400 million in capital investments at colleges and universities and \$245 million towards public school construction. The budget included a \$750 million initiative to improve and promote mass transit. Another \$70 million in capital funds were allocated to preserve significant natural and recreational lands and encourage community developments in "Smart Growth" areas.

During the upcoming General Assembly Session, the Glendening Administration plans to introduce legislation and budget initiatives to build upon the Smart Growth initiatives of prior years, increase transit options for all Marylanders and maintain and enhance programs to ensure the safety of all citizens.

## FINANCIAL INFORMATION

The State has issued guidelines to its agencies for establishing effective internal controls. Internal control is the overall plan of organization and all the coordinate methods used to safeguard assets, ensure the reliability of the accounting data, promote efficient operations and ensure compliance with established governmental policies, laws, regulations and contracts. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met.

As a recipient of federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Additionally, the State is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Detail information related to the single audits is included in separate reports.

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each state agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations.

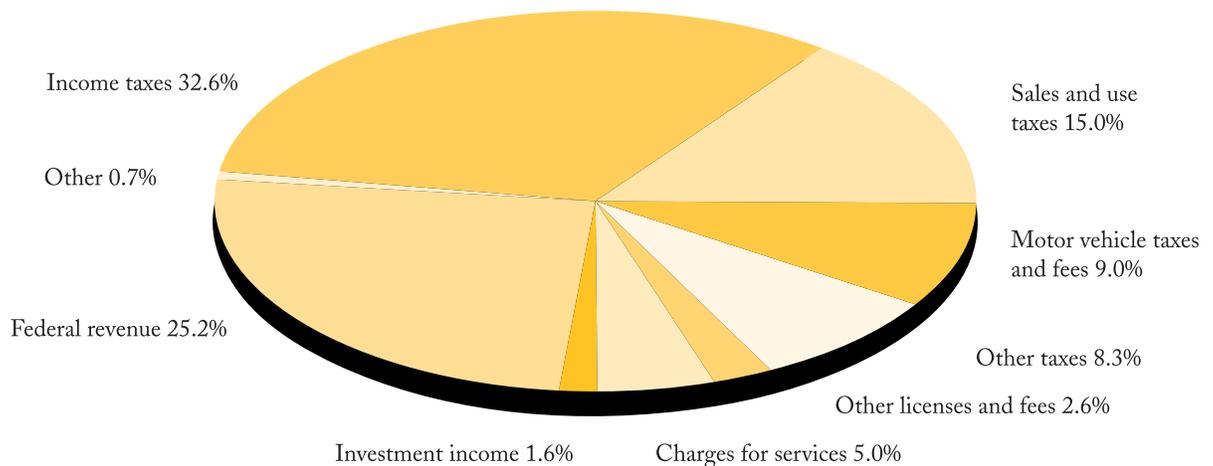
Maryland maintains its accounts to conform with generally accepted accounting principles and also to comply with the legally mandated budget. Financial control is generally exercised under the budgetary system.

## GENERAL GOVERNMENTAL FUNCTIONS

Revenues of the general governmental functions (excluding capital projects) totaled \$17,601,001,000 for the fiscal year ended June 30, 2001. This represents an increase of 8.9% over revenues for the fiscal year 2000. Income tax, the largest source of revenue, produced 32.6% of general governmental revenues compared to 32.3% last year. The revenues from various sources and the changes from last year are shown in the following tabulation (amounts expressed in thousands):

Revenue Source	Amount	Increase (Decrease) Over 2000 Actual	
		Amount	Percent
Income taxes	\$ 5,741,664	\$ 517,924	9.9%
Sales and use taxes	2,646,103	148,572	5.9
Motor vehicle taxes and fees	1,577,714	7,281	0.5
Other taxes	1,453,179	86,372	6.3
Other licenses and fees	450,768	(8,295)	(1.8)
Charges for services	875,717	81,995	10.3
Interest and other investment income	283,873	105,893	59.5
Federal revenue	4,451,010	477,348	12.0
Other	120,973	23,919	24.6
<b>Total</b>	<b>\$17,601,001</b>	<b>\$1,441,009</b>	<b>8.9%</b>

## GENERAL GOVERNMENT REVENUES BY SOURCE



*Source: Revenue Reports by General Accounting Division of Maryland State Comptroller's Office, June 30, 2001.*

Individual and corporate income tax totaled \$5,249,066,000 and \$492,598,000 respectively, representing an increase of \$444,667,000 and \$73,257,000, compared to the prior year. The individual income taxes increased 9.3% due to continued increases in jobs, wages and capital gains while corporate income tax revenues increased by 17.5% reflecting increases in productivity and strong gains in corporate profitability.

Sales and use taxes increased \$148,572,000 or 5.9% over the previous year primarily due to the strong economy and to an overall increase in sales of goods to the communication utilities. Other taxes increased by \$86,372,000 or 6.3% primarily due to an increase in the electric surcharge from the deregulation legislation on the sale of electricity and, also to an increase in insurance activity and estate taxes.

Charges for services increased \$81,995,000 or 10.3% over the previous year primarily due to increased revenues from transportation services of the BWI Airport, Mass Transit Administration and the Maryland Port Administration and the recording of revenues in the local departments of health not previously recorded.

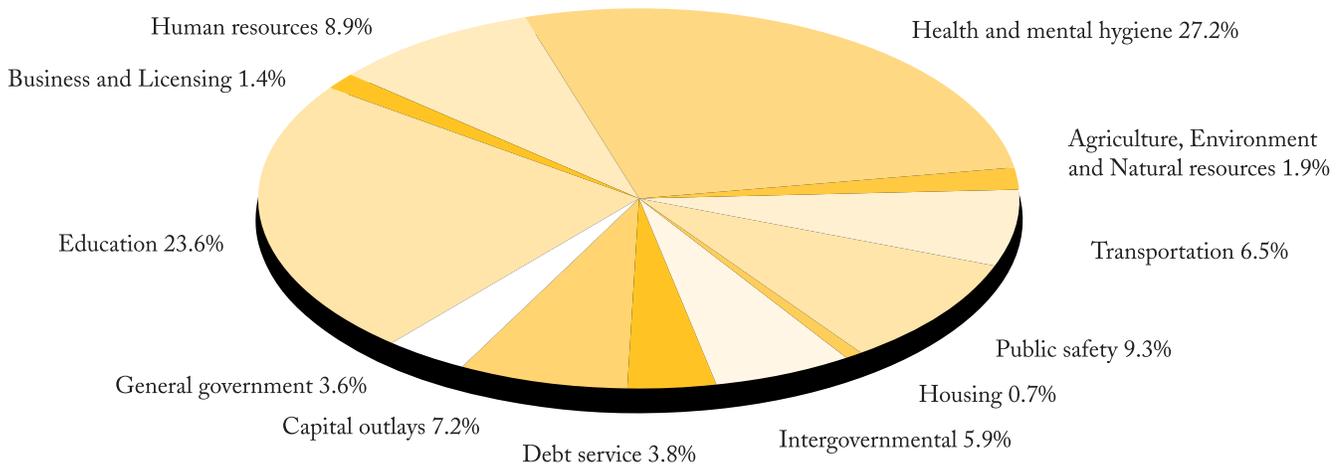
Due to the strong economy, the State had more funds to invest. As such, interest income grew 59.5% for an increase of \$105,893,000. In addition, Federal revenue to the State grew 12.0% for an additional \$477,348,000 of federal assistance. The increase of federal revenues was primarily due to increases to Medicaid and Children's Health programs as well as increased funding and new grants provided to the State Department of Education.

Other revenues increased \$23,919,000 or 24.6% over the previous year primarily due to an increase in abandoned property revenues and miscellaneous revenues of the State Highway Administration.

Changes in levels of expenditures for major functions from the previous year (excluding capital projects) are shown in the following tabulation (amounts expressed in thousands):

Function	Amount	Increase (Decrease) Over 2000 Actual	
		Amount	Percent
<b>Current:</b>			
General government	\$ 586,812	\$ 40,763	7.5%
Education	3,888,180	261,441	7.2
Business and economic development	55,952	1,359	2.5
Labor, licensing and regulation	177,196	(6,167)	(3.4)
Human resources	1,456,484	114,881	8.6
Health and mental hygiene	4,483,159	527,111	13.3
Environment	78,960	5,050	6.8
Transportation	1,070,893	63,562	6.3
Public safety and judicial	1,533,283	97,304	6.8
Housing and community development	121,602	17,798	17.1
Natural resources and recreation	150,850	3,671	2.5
Agriculture	75,990	16,438	27.6
Intergovernmental	973,516	83,994	9.4
Debt service	618,047	(22,840)	(3.6)
Capital outlays for transportation	1,184,479	238,555	25.2
<b>Total</b>	<b>\$16,455,403</b>	<b>\$1,442,920</b>	<b>9.6%</b>

### EXPENDITURES BY FUNCTION



Source: Expenditure Reports by General Accounting Division of Maryland State Comptroller's Office, June 30, 2001.

Expenditures for general government increased \$40,763,000 or 7.5% over the previous year. This increase was primarily due to increases in funding for facilities planning, construction and maintenance and in grants and personnel costs.

Education expenditures increased \$261,441,000 or 7.2% due to an increase in educational grants, student with disabilities funding, increased in public education's general programs, and support for education programs provided from the Cigarette Restitution Fund. Additionally, more money was made available for scholarships to Maryland's college students.

Expenditures for human resources increased \$114,881,000 or 8.6% over the previous year primarily for community services, subsidies for utility costs and foster care.

Health and mental hygiene expenditures increased \$527,111,000 or 13.3% over the prior year. This increase is due primarily to increased expenditures in the Medicaid, child support and developmental disabilities programs and personnel costs.

Expenditures for public safety and judicial services increased \$97,304,000 or 6.8% over the previous year primarily due to new program initiatives, increased staff support for the Juvenile Justice Youth Centers and increased funding for the State Police's Retirement System and salaries.

Housing and Community Development expenditures increased \$17,798,000 or 17.1% over the previous year. This increase is primarily due to increased funding for housing finance programs and neighborhood revitalization.

Expenditures for agriculture increased \$16,438,000 or 27.6% over the previous year primarily for agricultural land preservation, cost share grants for the control of erosion and animal wastes and crop conversion for tobacco farmers.

Intergovernmental expenditures increased \$83,994,000 or 9.4% over the previous year due to increases in distributions to the local subdivisions from revenues collected by the Clerks of Courts.

Capital outlays for transportation expenditures increased \$238,550,000 or 25.2% over the previous year primarily due to increases in costs for the Washington Metropolitan Area Transit Authority and State Highway projects.

Operating transfers in to the general fund from capital projects, enterprise funds (State Lottery Agency, Economic Development – Insurance Programs, and Economic Development – Loan Programs) and component units (Maryland Industrial Development Financing Authority, Stadium Authority and higher education) totaled \$425,289,000. This represents a decrease of \$1,154,000 from the previous year. This decrease is due primarily to decreased interest earnings in the capital projects fund. Operating transfers out from the general fund to capital projects, enterprise funds, and higher education and proprietary component units totaled \$1,546,288,000. This represents an increase of \$336,585,000 over the previous year. This was primarily due to increased funding for higher education and pay-as-you-go capital projects.

The fund balance for the general fund at June 30, 2001 was \$2,456,605,000 representing an increase of \$86,538,000 over the previous year's balance. The fund balance for the general fund has shown a pattern of continuous and substantial increases during the last seven years although this year's increase was not as great as prior years'.

Management of financial resources is exercised through the legally mandated budgetary system of the State. The budgetary general fund balance at June 30, 2001, reflected a total fund balance and an undesignated balance of \$1,776,881,000 and \$191,029,000 respectively. For information on differences between GAAP and the budgetary system, see footnote 3 to the general purpose financial statements.

The special revenue unreserved fund balance of \$400,957,000 decreased \$17,357,000 from the preceding year. This was primarily due to increased expenditures for transportation programs and related capital outlays. The debt service unreserved fund balance of \$117,127,000 increased \$18,577,000 from the previous year.

## CAPITAL PROJECTS FUND

Proceeds of general obligation bond issues are accounted for in the capital projects fund. Completed projects and uncompleted construction in progress at year end, which are assets of the State, are capitalized in the general fixed assets account group, the appropriate enterprise fund for self-supporting projects or the component units fund types. During fiscal year 2001, State projects costing \$293,067,000 were completed. State grants for local governments' capital projects and other public organizations amounted to \$362,913,000 in the fiscal year, an increase of \$65,450,000 from 2000.

Authorized but unissued general obligation bonds at June 30, 2001, totaled \$1,473,258,000.

## GENERAL FIXED ASSETS

The general fixed assets of the State are those used in the performance of general governmental functions and exclude the fixed assets of the proprietary fund type and the component units. As of June 30, 2001, the general fixed assets of the State amounted to \$11,297,062,000. This amount represents the actual or estimated cost of the assets. Depreciation of general fixed assets is not recognized in the State's accounting system. Infrastructure assets, consisting principally of highways, roads, bridges and tunnels, are not recorded in general fixed assets.

## ENTERPRISE, FIDUCIARY AND COMPONENT UNIT FUNDS

The retained earnings for enterprise funds increased during 2001 by \$107,143,000, compared to an increase of \$118,712,000 in fiscal year 2000. The Economic Development – Insurance Programs reported an increase of \$4,839,000 in retained earnings. The retained earnings for the Economic Development-Loan Programs increased by \$94,871,000, compared to last year's increase of \$109,481,000. This smaller increase was primarily due to the decrease in the fair value of investments. The State Lottery Agency reported \$412,961,000 income before transfers, of which \$407,045,000 was transferred out, accounting for a net increase of \$5,916,000 in its retained earnings.

Fiduciary fund types include the expendable trust fund, investment trust fund, pension trust funds and agency funds. Agency funds are custodial in nature and do not report fund balances. All other fiduciary fund types reported fund balances of \$33,208,755,000 at June 30, 2001, compared to \$36,441,779,000 at June 30, 2000. The decrease was due primarily to a decrease in the fair value of the investments in pension funds.

The State Retirement and Pension System of Maryland was established to provide pension benefits for State employees and employees of 127 participating political subdivisions and 98 participating municipal corporations within the State. The Mass Transit Administration Pension Plan was established to provide pension benefits for all Mass Transit Administration employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. The annual actuarial valuation continues to reflect a positive trend in funding of the pension plans.

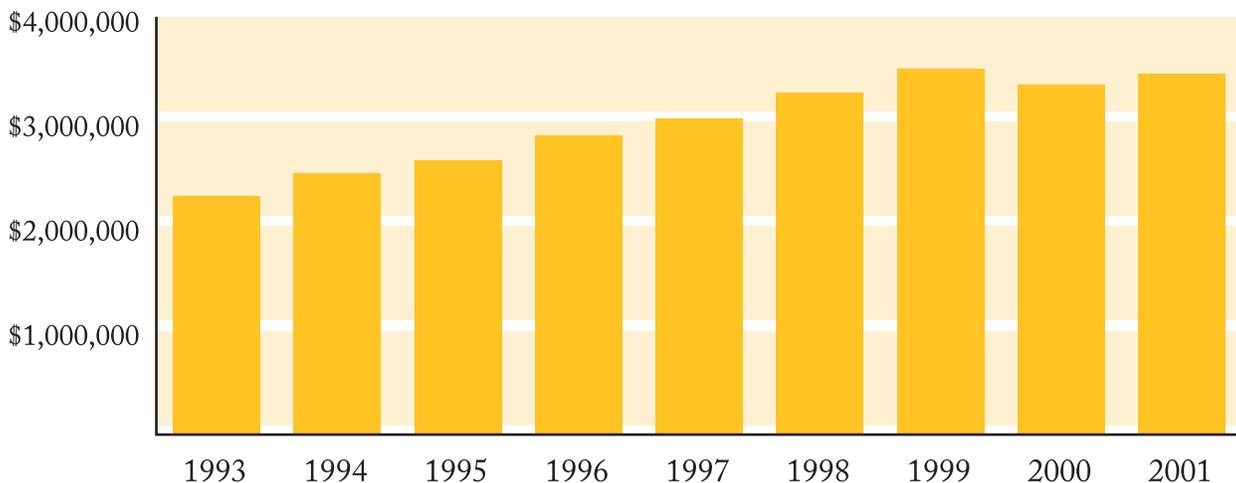
The total fund balance for the higher education component units was \$3,730,901,000 at June 30, 2001, compared to \$3,608,821,000 at June 30, 2000. Retained earnings for the proprietary component units totaled \$259,795,000 for June 30, 2001. This represents an increase in retained earnings of \$456,000 for the Maryland Food Center Authority, \$601,000 for the Maryland Environmental Service, \$5,203,000 for the Maryland Industrial Development Financing Authority and \$8,122,000 for the Maryland Stadium Authority, and a decrease of \$3,699,000 for Maryland Prepaid College Trust.

## DEBT ADMINISTRATION

The ratios of net bonded debt to assessed property value, debt to present market value, and bonded debt per capita are considered to be useful indicators of the State's debt position to State management, citizens and investors. Data for fiscal years 1993 to 2001 are shown as follows:

### GENERAL OBLIGATION BONDS PRINCIPAL OUTSTANDING

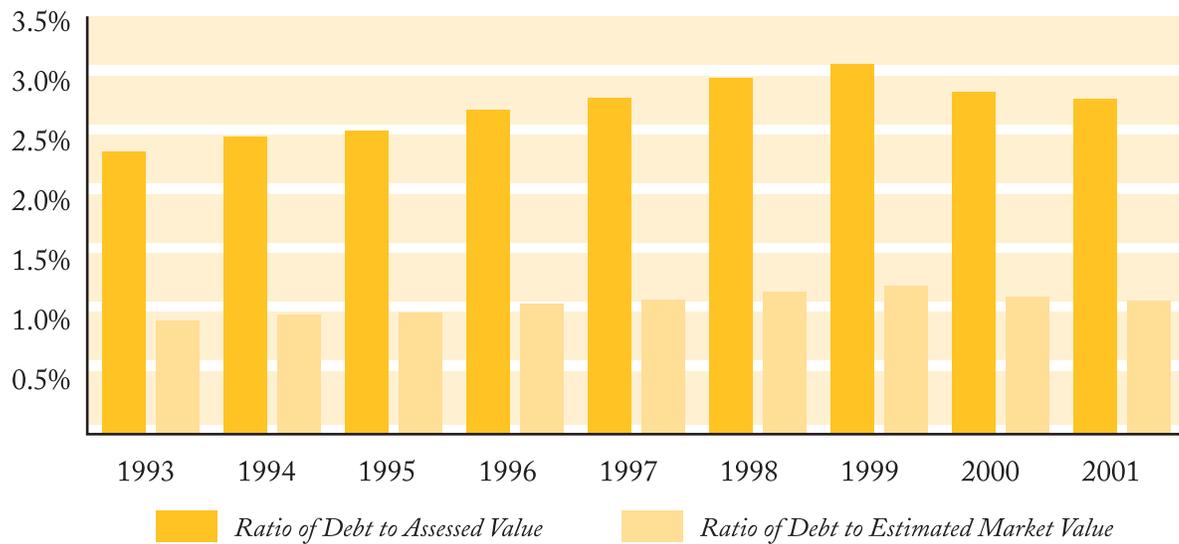
(in thousands)



Source: Office of Administration and Finance, Maryland State Comptrollers Office, 2001.

General Obligation Bonds:	Amount (expressed in thousands)	Ratio of Net Bonded Debt to Assessed Value	Ratio of Debt to Estimated Market Value	Bonded Debt Per Capita
2001	\$3,450,900	2.81%	1.12%	\$651.53
2000	3,348,866	2.87	1.15	647.50
1999	3,500,228	3.10	1.23	681.67
1998	3,270,525	2.98	1.19	642.03
1997	3,025,394	2.82	1.13	596.49
1996	2,859,939	2.72	1.09	567.17
1995	2,619,069	2.54	1.02	519.04
1994	2,504,004	2.49	1.00	504.33
1993	2,279,390	2.37	.95	464.42

### RATIO OF BONDED DEBT TO VALUE OF TAXABLE REAL PROPERTY



Source: The Forty-ninth through Fifty-seventh Report of the State Department of Assessments and Taxation.

The following tabulation shows the general obligation bonds issued during the past three fiscal years:

### STATE OF MARYLAND-GENERAL OBLIGATION BONDS

Date of Issue	Amount	Average Life in Years	Effective Interest Rate	Interest Cost Per Borrowed Dollar
February 21, 2001	\$ 200,000,000	9.8	4.4%	44.5¢
August 3, 2000	200,000,000	9.7	5.0	50.4
July 29, 1999	125,000,000	9.6	4.8	46.7
March 11, 1999	225,000,000	9.6	4.2	40.7
July 22, 1998	250,000,000	9.7	4.6	45.1

Maryland's general obligation bonds have been rated Aaa by Moody's Investors Service and AAA by Standard and Poor's and Fitch Investors, Inc., for a number of years.

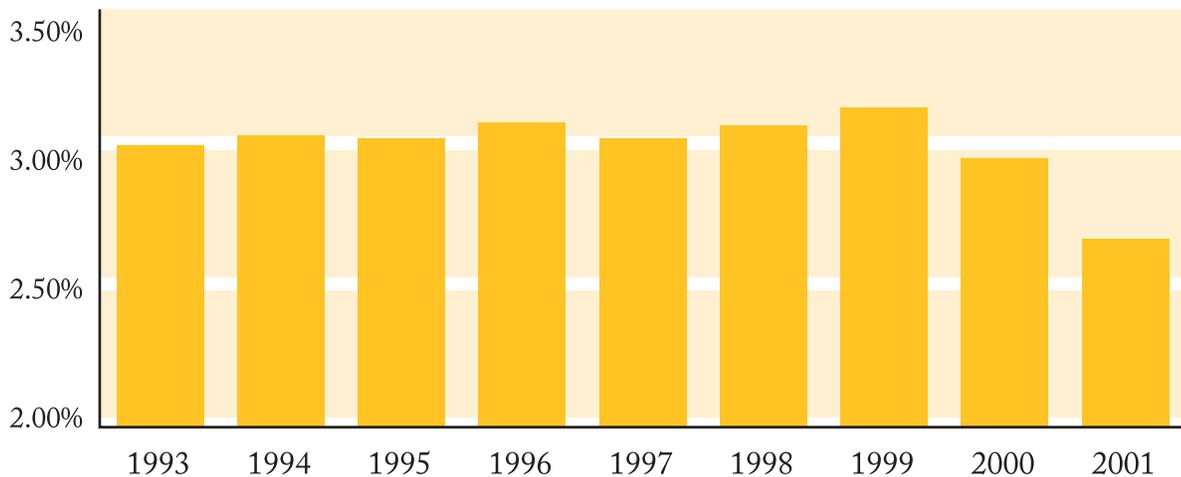
In addition to the General Obligation bonds, there are outstanding Limited Obligation bonds of the Department of Transportation and the Maryland Transportation Authority of \$652,510,000 and \$300,576,000 respectively, at June 30, 2001. Debt service on the Department of Transportation bonds is provided principally from excise taxes levied by statute. Debt service on the Maryland Transportation Authority bonds is payable from revenues of Authority projects.

As of June 30, 2001, the outstanding capital lease balance was \$236,857,000. The State is also ultimately responsible to pay certain debt of the Maryland Stadium Authority and the Maryland Environmental Services, via capital leases with these component units. The total of these capital lease obligations is \$298,472,000.

Self-supporting revenues bonds outstanding at June 30, 2001, amounted to \$3,938,804,000. This represents an increase of \$182,564,000 from the prior year. As of June 30, 2001, long-term obligations for accrued leave of \$198,639,000 represent the value of accumulated earned but unused leave in the general long term debt account group. The general long-term obligations for unpaid self-insurance claims totaled \$154,217,000.

Maryland tax supported debt outstanding as a percent of personal income remains below the Capital Debt Affordability Committee Criteria Standard of 3.2% of personal income. For the fiscal year 2001, State tax supported debt outstanding amounted to \$4,939,315,000 which is 2.6% of total Maryland personal income.

### STATE TAX SUPPORTED DEBT OUTSTANDING AS A PERCENTAGE OF PERSONAL INCOME

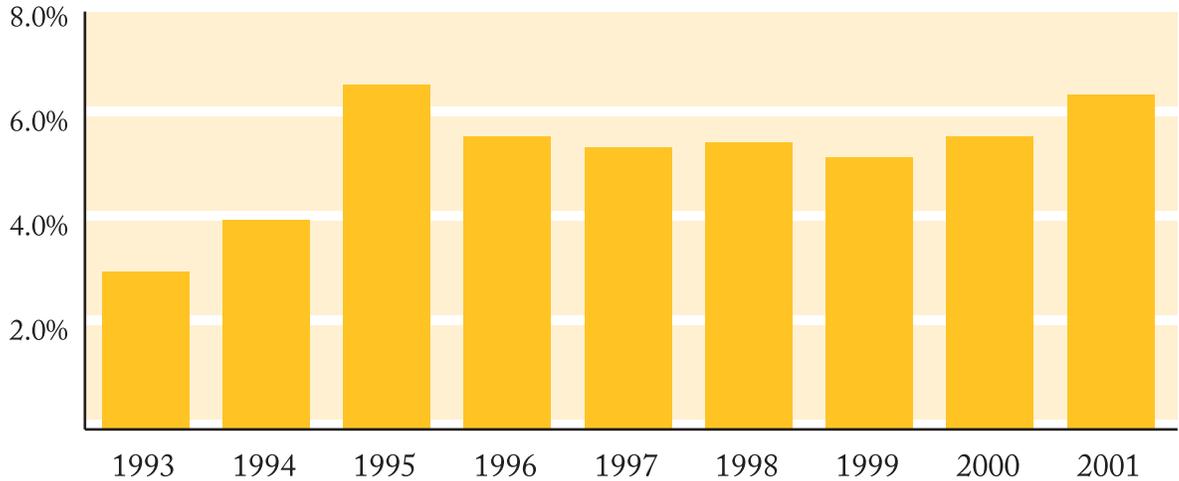


*Source: Report of the Maryland Capital Debt Affordability Committee, 2001.*

## CASH MANAGEMENT

During the year, temporary surpluses of cash in general governmental funds were invested in repurchase agreements, U.S. Treasury and agency obligations, and money market accounts with maturities ranging from 1 to 365 days. As of June 30, 2001, the State's cash resources for general governmental funds were invested as follows: in repurchase agreements, 71.3%; in U.S. Treasury and agency obligations, 8.9%; and money market accounts and other, 19.8%. The average yield on maturing investments during the year was 6.4%, as compared to 5.6% in the prior year, and the amount of interest received was \$288,936,000 which was \$95,039,000 more than the previous year.

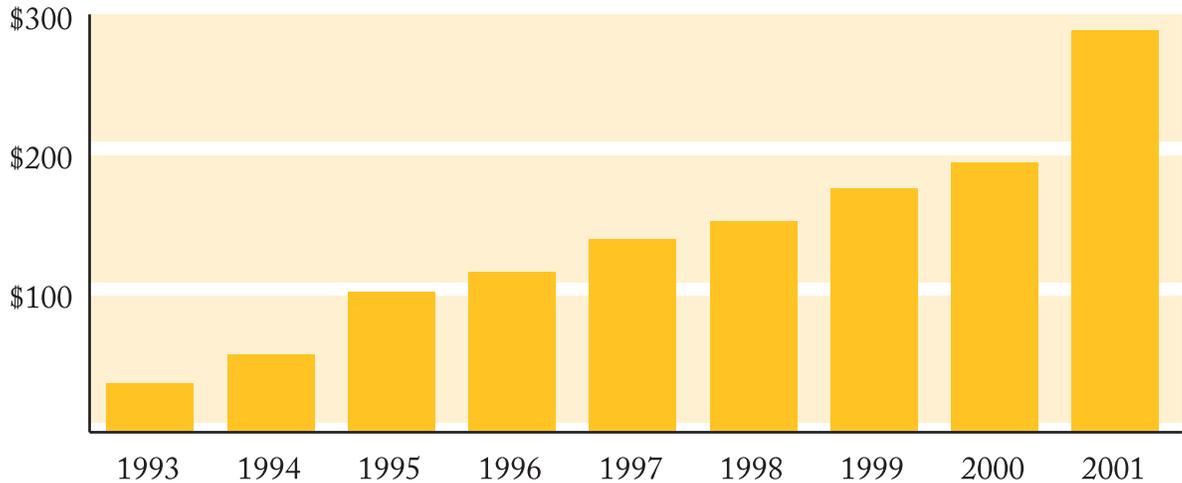
### THE AVERAGE YIELD ON MATURING INVESTMENTS 1993 - 2001



Source: Investments Report, State Treasurer's Office, 2001.

### INTEREST RECEIVED ON MATURING INVESTMENTS OF GENERAL GOVERNMENTAL FUNDS

(in millions)



Source: Investments Report, State Treasurer's Office, 2001.

## RISK MANAGEMENT

The State is involved in legal proceedings, which normally occur in government operations. Such proceedings, in the opinion of the Attorney General, are not likely to have a material adverse impact on the financial position of the State's funds.

The State self-insures toward most claims of risk of loss, including general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. All funds, agencies and authorities of the State participate in the self-insurance programs. As of June 30, 2001, the State including its component units has recorded \$247,291,000 in liabilities associated with its self-insurance programs.

Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks.

## OTHER INFORMATION

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. Although certain of those reports include presentations of detailed financial data and contain expressions of opinion thereon, the audits are usually not made for that purpose. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's general purpose financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of Ernst & Young LLP has been included in the financial section of this report. In addition, Ernst & Young LLP performs audits to meet the requirements of the federal Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; such information being contained in other reports.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 21 consecutive years (fiscal years ended 1980-2000). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,



William Donald Schaefer  
Comptroller of Maryland

## FINANCIAL SECTION

### Report of Independent Auditors

The Honorable William D. Schaefer,  
 Comptroller of Maryland:

We have audited the accompanying general purpose financial statements of the State of Maryland as of June 30, 2001 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of (1) Maryland Water Quality Financing Administration; (2) Maryland State Lottery Agency; (3) State Use Industries; (4) Direct loan and insurance programs of the Maryland Departments of Housing and Community Development and Business and Economic Development included in the Economic Development Fund; (5) Maryland Transportation Authority; (6) Deferred Compensation Plan; (7) Maryland Local Government Investment Pool; (8) State Retirement and Pension System of Maryland; (9) Maryland Food Center Authority; (10) Maryland Environmental Service; and (11) Maryland Industrial Development Financing Authority, which represent the percentages of the total assets, operating revenues or additions, and expenditures, expenses or deductions of the fund types listed below.

Fund Type/Agency or Component Unit	Percentage of Total Fund Type		
	Total Assets	Operating Revenues or Additions	Expenditures, Expenses, or Deductions
<b>Enterprise:</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Maryland Water Quality Financing Administration			
Maryland State Lottery Agency			
State Use Industries			
Economic Development			
<b>Special Revenue:</b>	<b>42.7</b>	<b>6.6</b>	<b>5.3</b>
Maryland Transportation Authority			
<b>Debt Service:</b>	<b>64.4</b>	<b>.4</b>	<b>5.9</b>
Maryland Transportation Authority			
<b>Trust and Agency:</b>	<b>89.1</b>	<b>—</b>	<b>—</b>
<b>Expendable Trust:</b>	<b>—</b>	<b>23.6</b>	<b>20.3</b>
Deferred Compensation Plan			
<b>Investment and Pension Trust:</b>	<b>—</b>	<b>99.5</b>	<b>99.7</b>
Maryland Local Government Investment Pool			
State Retirement and Pension System of Maryland			
<b>Component Unit Proprietary:</b>	<b>16.7</b>	<b>33.6</b>	<b>31.6</b>
Maryland Food Center Authority			
Maryland Environmental Service			
Maryland Industrial Development Financing Authority			

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, expressed herein, insofar as it relates to the amounts included for the above-mentioned agencies and component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Maryland as of June 30, 2001, and the results of its operations and the cash flows of its Enterprise Funds and Component Unit Proprietary Funds for the year then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in note 2D to the financial statements, the colleges and universities increased their capitalization threshold on real property fixed assets.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and to meet legal reporting requirements and are not a required part of the general purpose financial statements. Such information, except for the Schedules of Estimated Revenues – Budgetary Basis and General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations – Budgetary Basis for the year ending June 30, 2002 (pages 101 and 102), which we did not audit, has been subjected to the auditing procedures applied by us and other auditors in our audit of the general purpose financial statements and, in our opinion based on our audit and the reports of other auditors is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

November 26, 2001



COMPTROLLER  
*of* MARYLAND

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*Serving the People.*

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

STATE OF MARYLAND

Combined Balance Sheet

All Fund Types, Account Groups  
and Discretely Presented Component Units

June 30, 2001

(Expressed in Thousands)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total Primary Government (Memorandum Only)	Component Units		Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	Higher Education	Proprietary Fund Types	Higher Education	Proprietary Fund Types	(Memorandum Only)
<b>Assets and Other Debits:</b>													
<b>Assets:</b>													
Cash and cash equivalents.....	\$3,464,011	\$159,892	\$108,003		\$ 205,983	\$ 937,668			\$ 4,875,557	\$ 113,955	\$ 39,881	\$ 5,029,393	
Cash with fiscal agent .....			5,150						5,150			5,150	
Investments .....	1,076,988	201,249	878		1,382,317	31,693,439			34,354,871	242,129	66,650	34,663,650	
Amount on deposit with U. S. Treasury .....	805,527	117,315	7,885			904,126			904,126			904,126	
Taxes receivable, net .....	688,742	143,727				341,076			1,271,803			1,271,803	
Intergovernmental receivables.....									812,469			812,469	
Tuition contracts receivable.....									434,973	173,283	87,520	87,520	
Other accounts receivable.....	108,613	42,453	361	\$ 169	76,709	206,668			2,435,039	17,197	17,197	625,453	
Due from other funds .....	86,003	170,641		689,819	319,868	1,168,708				530,766	55,336	2,435,039	
Due from primary government.....									8,711			8,711	
Due from component units.....									2,623,837			2,623,837	
Collateral for lent securities.....													
Inventories.....									7,580	10,088		17,668	
Loans and notes receivable, net.....	3,763	11,252	18,987	10,680	2,780,122				2,824,804	68,113	7,573	2,900,490	
Investment in direct financing leases .....											298,472	298,472	
Loans to component units .....	620		6,372						6,992			6,992	
Property, plant and equipment, net.....									11,305,692	3,857,407	29,026	15,192,125	
Restricted assets.....							\$11,297,062				1,028	1,028	
Other assets .....	265,435	40,994			111,539				417,968	59,117	238,281	715,366	
<b>Other Debits:</b>													
Amounts available in debt service fund for retirement of -													
General obligation bonds .....									\$ 43,630			43,630	
Transportation bonds .....									3,842			3,842	
Maryland Transportation Authority bonds .....									95,014			95,014	
Amounts to be provided for retirement of -													
General obligation bonds .....									3,407,270			3,407,270	
Transportation bonds .....									648,668			648,668	
Maryland Transportation Authority bonds .....									205,562			205,562	
Accrued self-insurance costs .....									154,217			154,217	

Amounts available in debt service fund for retirement of -

General obligation bonds .....

Transportation bonds .....

Maryland Transportation Authority bonds .....

Amounts to be provided for retirement of -

General obligation bonds .....

Transportation bonds .....

Maryland Transportation Authority bonds .....

Accrued self-insurance costs .....

Accrued annual leave.....						198,639	198,639	198,639	198,639
Obligations under capital leases.....						236,857	236,857	236,857	236,857
Obligations under capital leases with component units .....						298,472	298,472	298,472	298,472
Total assets and other debits.....	\$6,488,413	\$887,523	\$147,636	\$700,668	\$4,892,748	\$37,875,522	\$11,297,062	\$5,292,171	\$67,581,743
								\$5,054,858	\$840,964
									\$73,477,565
<b>Liabilities, Equity and Other Credits:</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities.....	\$ 908,893	\$265,806		\$ 57,874	\$ 56,886	\$ 693,523		\$ 1,982,982	\$ 24,327
Due to other funds.....	2,337,020	27,177		69,748	1,094			2,435,039	
Due to component units.....	586,102							586,102	
Accounts payable to political subdivisions .....	117,142	65,375				1,348,313		1,530,830	
Lottery prizes .....				355,367				355,367	
Collateral obligation for lent securities .....				31,725		2,623,837		2,623,837	
Accrued insurance on loan losses.....								31,725	6,770
Accrued tuition benefits.....									38,495
Other liabilities.....				60,591				60,591	155,308
Deferred revenue.....	14,226	7,770		6,137				28,133	11,163
Due to primary government.....									17,046
Loans from primary government.....									8,711
Notes payable.....			\$ 5,150	742				742	6,992
Mature bonds and interest coupons payable.....									742
Revenue bonds and other notes payable.....				2,760,975				2,760,975	5,150
General obligation bonds payable.....									320,108
Transportation bonds payable.....									857,721
Maryland Transportation Authority bonds payable.....									3,450,900
Accrued self-insurance costs.....									652,510
Accrued annual leave.....	68,425			715				300,576	300,576
Obligations under capital leases.....				1,644				154,217	223,357
Obligations under capital leases with component units.....				2,579				198,639	247,291
Total liabilities.....	4,031,808	366,128	5,150	3,347,109	4,666,767			5,292,171	17,767,007
Commitments and contingencies (Notes 17, 18 and 20)									553,579
Equity and Other Credits:									19,644,543
Investment in fixed assets.....							\$11,297,062	11,297,062	3,040,365
Capital:									14,337,427
Contributed capital.....				826,381				826,381	27,590
Retained earnings -									853,971
Reserved.....									5,509
Unreserved.....				719,258				719,258	254,286
Fund balances -									973,544
Reserved.....	1,467,309	120,438	25,359	420,633		33,208,755		35,242,494	532,114
Unreserved -									35,774,608
Designated.....	347,324		117,127					464,451	464,451
Undesignated.....	641,972	400,957		222,161				1,265,090	1,423,512
Total equity and other credits.....	2,456,605	521,395	142,486	642,794	1,545,639	33,208,755	11,297,062	49,814,736	287,385
Total liabilities, equity and other credits.....	\$6,488,413	\$887,523	\$147,636	\$700,668	\$4,892,748	\$37,875,522	\$11,297,062	\$5,292,171	\$67,581,743
									\$5,054,858
									\$840,964
									\$73,477,565

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Combined Statement of Revenues, Expenditures, Other Sources  
and Uses of Financial Resources and Changes in Fund Balances  
All Governmental Fund Types and Expendable Trust Funds**

**for the year ended June 30, 2001**

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government (Memorandum Only)
<b>Revenues:</b>						
Income taxes .....	\$ 5,741,664					\$ 5,741,664
Sales and use taxes .....	2,646,103					2,646,103
Motor vehicle taxes and fees .....		\$1,577,714				1,577,714
Other taxes.....	1,194,099		\$259,080		\$ 353,082	1,806,261
Other licenses and fees.....	450,768					450,768
Charges for services .....	357,457	518,260				875,717
Interest and other investment income.....	246,396	34,815	2,662	\$ 5,063	(15,715)	273,221
Federal revenue .....	3,795,139	655,871			255	4,451,265
Employee contributions.....					104,185	104,185
Employer contributions .....					19,917	19,917
Other .....	86,970	33,738	265	5,406	671	127,050
Total revenues .....	14,518,596	2,820,398	262,007	10,469	462,395	18,073,865
<b>Expenditures:</b>						
Current:						
General government .....	586,812				78,807	665,619
Education.....	3,888,180					3,888,180
Business and economic development .....	55,952				309,918	365,870
Labor, licensing and regulation .....	177,196					177,196
Human resources .....	1,456,484					1,456,484
Health and mental hygiene.....	4,483,159					4,483,159
Environment.....	78,960					78,960
Transportation.....		1,070,893				1,070,893
Public safety and judicial.....	1,533,283					1,533,283
Housing and community development .....	121,602					121,602
Natural resources and recreation .....	150,850					150,850
Agriculture .....	75,990					75,990
Intergovernmental.....	424,900	548,616		362,913		1,336,429
Debt service:						
Principal retirement .....			397,581			397,581
Interest.....			220,466			220,466
Capital outlays .....		1,184,479		159,091		1,343,570
Total expenditures.....	13,033,368	2,803,988	618,047	522,004	388,725	17,366,132
Excess (deficiency) of revenues over expenditures.....	1,485,228	16,410	(356,040)	(511,535)	73,670	707,733
<b>Other sources (uses) of financial resources:</b>						
Capital leases.....	33,582	37,211				70,793
Proceeds from bonds.....				422,890		422,890
Operating transfers in .....	491,578	221,827	372,592	558,749		1,644,746
Operating transfers in from component units.....	3,419					3,419
Operating transfers out .....	(1,007,334)	(276,452)	(84)	(18,996)		(1,302,866)
Operating transfers out to component units .....	(919,935)			(121,589)		(1,041,524)
Net other sources (uses) of financial resources .....	(1,398,690)	(17,414)	372,508	841,054		(202,542)
Excess (deficiency) of revenues over expenditures and.. net other sources (uses) of financial resources .....	86,538	(1,004)	16,468	329,519	73,670	505,191
Fund balances, July 1, 2000.....	2,370,067	522,399	126,018	313,275	2,551,363	5,883,122
Fund balances, June 30, 2001.....	\$ 2,456,605	\$ 521,395	\$ 142,486	\$ 642,794	\$ 2,625,033	\$ 6,388,313

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

**STATE OF MARYLAND**  
**Combined Statement of Revenues, Expenses and**  
**Changes in Retained Earnings**  
**Enterprise Funds and Component Unit Proprietary Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Primary Government Enterprise Funds	Component Unit Proprietary Funds	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Lottery ticket sales .....	\$1,210,616		\$1,210,616
Charges for services and sales .....	48,718	\$ 80,315	129,033
Tuition contracts .....		80,406	80,406
Interest and other investment income .....	243,272		243,272
Other .....	16,512	3,416	19,928
Total operating revenues .....	1,519,118	164,137	1,683,255
Operating expenses:			
Prizes and claims .....	671,196		671,196
Commissions .....	76,944		76,944
Cost of sales and services .....	30,129		30,129
Operation and maintenance of facilities .....	10,102	69,101	79,203
General and administrative .....	67,497	14,461	81,958
Interest .....	158,601		158,601
Depreciation and amortization .....	3,589	12,667	16,256
Provision for insurance on loan losses, net .....	17,017	617	17,634
Tuition benefits .....		79,131	79,131
Other .....	18,477	2,897	21,374
Total operating expenses .....	1,053,552	178,874	1,232,426
Operating income (loss) .....	465,566	(14,737)	450,829
Non-operating revenues (expenses):			
Investment income .....	3,375	8,123	11,498
Interest expense .....	(211)	(22,438)	(22,649)
Other .....	(17,301)	6,622	(10,679)
Operating income (loss) before transfers .....	451,429	(22,430)	428,999
Operating transfers in .....	71,732		71,732
Operating transfers in from primary government .....		35,977	35,977
Operating transfers out .....	(413,612)		(413,612)
Operating transfers out to primary government .....		(3,107)	(3,107)
Operating transfers out to component units .....	(2,585)		(2,585)
Net income .....	106,964	10,440	117,404
Add: Depreciation of assets acquired from contributed capital .....	179	243	422
Increase in retained earnings .....	107,143	10,683	117,826
Retained earnings, July 1, 2000 .....	612,115	249,112	861,227
Retained earnings, June 30, 2001 .....	\$ 719,258	\$259,795	\$ 979,053

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

**STATE OF MARYLAND**  
**Combined Statement of Cash Flows**  
**Enterprise Funds and Component Unit Proprietary Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Primary Government Enterprise Funds	Component Unit Proprietary Funds	Total Reporting Entity (Memorandum Only)
<b>Cash flows from operating activities:</b>			
Operating income (loss) .....	\$465,566	\$(14,737)	\$450,829
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization .....	3,589	12,667	16,256
Effect of changes in assets and liabilities:			
Other accounts receivable .....	(59)	(2,456)	(2,515)
Tuition contracts receivable .....		(41,726)	(41,726)
Due from other funds/primary government .....	(16,465)	(9,272)	(25,737)
Inventories .....	(1,153)		(1,153)
Loans and notes receivable .....	(191,941)	(1,397)	(193,338)
Other assets .....	(13,126)	(329)	(13,455)
Accounts payable and accrued liabilities .....	3,993	756	4,749
Accrued tuition benefits .....		79,100	79,100
Due to other funds .....	30,485	267	30,752
Accrued insurance on loan losses .....	(1,134)	2,136	1,002
Other liabilities .....	2,013	4,468	6,481
Deferred revenue .....	(277)	(1,136)	(1,413)
Accrued self insurance costs .....	178	809	987
Accrued annual leave .....	159	98	257
Lottery installment payments .....	(86,615)		(86,615)
Future lottery prize installments .....	5,584		5,584
Net cash provided by operating activities .....	200,797	29,248	230,045
<b>Cash flows from non-capital financing activities:</b>			
Third party contributions .....		11,242	11,242
Proceeds from sale of revenue bonds .....	459,163	-	459,163
Payment on revenue bonds .....	(440,221)	-	(440,221)
Operating transfers in .....	71,732	-	71,732
Operating transfers in from primary government .....		35,977	35,977
Operating transfers out .....	(413,612)		(413,612)
Operating transfers out to primary government .....		(3,107)	(3,107)
Operating transfers out to component units .....	(2,585)		(2,585)
Contributed capital .....	44,585		44,585
Grant recoveries .....	544		544
Net cash provided (used) by non-capital financing activities .....	(280,394)	44,112	(236,282)
<b>Cash flows from capital and related financing activities:</b>			
Investments in direct financing leases .....		7,543	7,543
Increase in interest in direct financing leases .....		(8,486)	(8,486)
Proceeds from notes payable and revenue bonds .....	868	7,941	8,809
Principal paid on notes payable and revenue bonds .....	(1,616)	(10,278)	(11,894)
Interest payments .....	(211)	(22,438)	(22,649)
Acquisition and construction of property, plant and equipment .....	(2,342)	(6,875)	(9,217)
Decrease in revenue bond debt service account .....		158	158
Proceeds from property, plant and equipment sales .....	8	87	95
Contributed capital .....		1,500	1,500
Net cash used by capital and related financing activities .....	(3,293)	(30,848)	(34,141)
<b>Cash flows from investing activities:</b>			
Proceeds from maturity and sale of investments .....	664,699	46,944	711,643
Purchase of investments .....	(553,979)	(61,570)	(615,549)
Interest on investments .....	(8,230)	8,123	(107)
Increase in loans and notes receivable .....		442	442
Lease principal interest payments received .....		1,169	1,169
Net cash used (provided) by investing activities .....	102,490	(4,892)	97,598
Net increase in cash and cash equivalents .....	19,600	37,620	55,720
Cash and cash equivalents balance, July 1, 2000 .....	186,383	2,261	188,644
Cash and cash equivalents balance, June 30, 2001 .....	\$205,983	\$ 39,881	\$244,364

Enterprise Funds noncash transactions (amounts expressed in thousands):

Unrealized (loss) on investments \$(5,509).

The acquisition of equipment totaling \$710 which was financed by contributed capital from the State.

Proprietary funds - Unrealized (loss) on investments \$(4,768).

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

**STATE OF MARYLAND**  
**Combined Statement of Changes in Plan Net Assets**  
**Investment and Pension Trust Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Investment Trust Fund	Pension Trust Funds	Total
<b>Additions:</b>			
<b>Contributions:</b>			
Employers .....		\$ 261,272	\$ 261,272
Members .....	\$3,100,904	189,769	3,290,673
Sponsors .....		387,857	387,857
Total contributions .....	<u>3,100,904</u>	<u>838,898</u>	<u>3,939,802</u>
<b>Investment income:</b>			
Net decrease in fair value of investment .....		(3,907,236)	(3,907,236)
Interest .....	57,092	679,707	736,799
Dividends .....		251,708	251,708
Real estate operating net income .....		28,048	28,048
Total investment income (loss) .....	57,092	(2,947,773)	(2,890,681)
Less: investment expense .....		201,671	201,671
Net investment income (loss) .....	<u>57,092</u>	<u>(3,149,444)</u>	<u>(3,092,352)</u>
Total additions (reductions) .....	<u>3,157,996</u>	<u>(2,310,546)</u>	<u>847,450</u>
<b>Deductions:</b>			
Benefit payments .....		1,285,473	1,285,473
Distribution to participants .....	56,627		56,627
Redemptions (Unit transactions at \$1.00 per unit) .....	2,769,590		2,769,590
Refunds .....		16,977	16,977
Administrative expenses .....	464	25,013	25,477
Total deductions .....	<u>2,826,681</u>	<u>1,327,463</u>	<u>4,154,144</u>
Net increase (decrease) in plan assets .....	331,315	(3,638,009)	(3,306,694)
<b>Net assets held in trust for plan participants and pension benefits:</b>			
July 1, 2000 .....	701,271	33,189,145	33,890,416
June 30, 2001 .....	<u>\$1,032,586</u>	<u>\$29,551,136</u>	<u>\$30,583,722</u>

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Revenues, Expenditures and Encumbrances,  
 Other Sources and Uses of Financial Resources,  
 and Changes in Fund Balances - Budget and Actual -  
 Budgetary General, Special and Federal Funds (Note 3)  
 for the year ended June 30, 2001

(Expressed in Thousands)

	General Fund			Special Fund			Federal Fund			Totals (Memorandum Only)		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:												
Income taxes.....	\$ 5,415,032	\$5,508,123	\$ 93,091	\$ 111,250	\$ 119,472	\$ 8,222	\$ 5,526,282	\$ 5,627,595	\$ 101,313	\$ 5,526,282	\$ 5,627,595	\$ 101,313
Sales and use taxes.....	2,647,691	2,626,783	(20,908)	19,000	19,319	319	2,666,691	2,646,102	(20,589)	2,666,691	2,646,102	(20,589)
Other taxes.....	706,644	756,362	49,718	1,617,687	1,675,895	58,208	2,324,331	2,432,257	107,926	2,324,331	2,432,257	107,926
Licenses and fees.....	120,507	129,949	9,442	448,738	445,494	(3,244)	569,245	575,443	6,198	569,245	575,443	6,198
Charges for services.....	205,074	221,675	16,601	899,105	531,756	(367,349)	1,104,179	753,431	(350,748)	1,104,179	753,431	(350,748)
Interest and other investment income.....	123,705	204,767	81,062	24,990	37,863	12,873	148,695	242,630	93,935	148,695	242,630	93,935
Other.....	434,897	825,966	391,069	515,826	424,015	(91,811)	950,723	1,249,981	299,258	950,723	1,249,981	299,258
Federal revenue.....				68,333	61,479	(6,854)	\$4,646,259	\$4,249,524	(396,735)	\$4,646,259	\$4,249,524	(396,735)
Total revenues.....	9,653,550	10,273,625	620,075	3,704,929	3,315,293	(389,636)	18,004,738	17,838,442	(166,296)	18,004,738	17,838,442	(166,296)
Expenditures and encumbrances by major function:												
Payments of revenue to civil divisions of the State.....	100,725	100,725		1,331	1,331		102,056	102,056		102,056	102,056	
Public debt.....	106,215	106,200	15	266,666	266,578	88	372,881	372,778	103	372,881	372,778	103
Legislative.....	52,769	52,769					52,769	52,769		52,769	52,769	
Judicial review and legal.....	317,933	317,319	614	18,771	18,313	458	340,331	338,619	1,712	340,331	338,619	1,712
Executive and administrative control.....	610,549	607,053	3,496	67,307	64,801	2,506	782,566	759,120	23,446	782,566	759,120	23,446
Financial and revenue administration.....	167,513	166,638	875	61,850	61,540	310	229,363	228,178	1,185	229,363	228,178	1,185
Budget and management.....	74,574	61,048	13,526	18,543	16,687	1,856	93,117	77,735	15,382	93,117	77,735	15,382
Retirement and pension.....				29,198	29,181	17	29,198	29,181	17	29,198	29,181	17
General services.....	50,857	50,857		2,037	1,932	105	52,894	52,789	105	52,894	52,789	105
Transportation and highways.....				2,173,476	2,151,946	21,530	645,066	621,600	23,466	645,066	621,600	23,466
Natural resources and recreation.....	66,262	66,210	52	154,542	151,017	3,525	28,396	23,740	4,656	28,396	23,740	4,656
Agriculture.....	32,743	32,330	413	41,402	40,896	506	2,301	2,162	139	2,301	2,162	139
Health, hospitals and mental hygiene.....	2,379,507	2,379,457	50	216,766	204,593	12,173	1,850,876	1,809,072	41,804	1,850,876	1,809,072	41,804
Human resources.....	465,212	465,210	2	72,432	64,506	7,926	1,047,700	951,854	95,846	1,047,700	951,854	95,846
Labor, licensing and regulation.....	26,585	26,468	117	14,930	14,414	516	156,880	133,501	23,379	156,880	133,501	23,379
Public safety and correctional services.....	728,672	728,170	502	108,634	102,721	5,913	11,788	9,590	2,198	11,788	9,590	2,198
Public education.....	4,155,761	4,153,729	2,032	123,120	118,153	4,967	680,969	602,322	78,647	680,969	602,322	78,647
Housing and community development.....	39,999	39,998	1	51,044	49,948	1,096	70,730	63,309	7,421	70,730	63,309	7,421
Business and economic development.....	87,760	87,760		75,068	70,619	4,449	712	658	54	712	658	54

Environment .....	45,788	45,788	152,077	139,411	12,666	24,262	20,498	3,764	222,127	205,697	16,430
Juvenile services .....	150,729	150,332	311	262	49	16,686	14,343	2,343	167,726	164,937	2,789
State police .....	218,111	217,985	126	54,434	990	1,556	1,329	227	275,091	273,748	1,343
State reserve fund .....	381,462	381,462							381,462	381,462	
Reversions:											
Current year reversions .....	(25,000)	(25,000)							(25,000)		(25,000)
Prior year reversions .....		(7,211)	7,211	(11,638)	11,638		(44,175)	44,175		(63,024)	63,024
Total expenditures and encumbrances .....	10,234,726	10,230,297	4,429	3,704,929	93,284	4,646,259	4,300,056	346,203	18,585,914	18,141,998	443,916
Changes in encumbrances during fiscal year 2001 .....		(52,882)	52,882	(70,287)	70,287		(19,740)	19,740		(142,909)	142,909
Total expenditures .....	10,234,726	10,177,415	57,311	3,704,929	163,571	4,646,259	4,280,316	365,943	18,585,914	17,999,089	586,825
Excess of revenues over (under) expenditures .....	(581,176)	96,210	677,386	(226,065)	(226,065)		(30,792)	(30,792)	(581,176)	(160,647)	420,529
Other sources (uses) of financial resources:											
Operating transfers in (out) .....		(109,029)	(109,029)	123,391	123,391		30,792	30,792		45,154	45,154
Excess of revenues over (under) expenditures and other sources of financial resources .....	(581,176)	(12,819)	568,357	(102,674)	(102,674)				(581,176)	(115,493)	465,683
Fund balances, July 1, 2000 .....	1,789,700	1,789,700	912,177	912,177					2,701,877	2,701,877	
Fund balances, June 30, 2001 .....	\$ 1,208,524	\$ 1,776,881	\$ 568,357	\$ 912,177	\$ 809,503	\$ —	\$ —	\$ —	\$ 2,120,701	\$ 2,586,384	\$ 465,683

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

**STATE OF MARYLAND**  
**Statement of Current Fund Revenues,**  
**Expenditures, and Other Changes**  
**Component Unit Higher Education Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Current Funds		Current Funds Total
	Unrestricted	Restricted	
<b>Revenues:</b>			
Student tuition and fees .....	\$ 645,449		\$ 645,449
Grants and contracts .....	103,689	\$627,902	731,591
Sales and services .....	454,878		454,878
<b>Investment income:</b>			
Endowment income .....	2,550	10,570	13,120
Other interest and dividend income .....	29,188	21	29,209
Other .....	22,330	1,374	23,704
Total revenues .....	1,258,084	639,867	1,897,951
<b>Expenditures and mandatory transfers:</b>			
Instruction .....	739,610	49,325	788,935
Research .....	136,347	361,982	498,329
Public service .....	36,423	92,952	129,375
Academic support .....	196,627	4,879	201,506
Student services .....	99,157	2,934	102,091
Institutional support .....	267,292	4,879	272,171
Operation and maintenance of plant .....	151,507	8	151,515
Scholarships and fellowships .....	91,652	79,950	171,602
Hospital .....	4,078	32,135	36,213
Auxiliary enterprises .....	260,939	1,076	262,015
Total expenditures .....	1,983,632	630,120	2,613,752
Mandatory transfers out .....	67,907		67,907
Total expenditures and mandatory transfers .....	2,051,539	630,120	2,681,659
<b>Other transfers and additions (deductions):</b>			
Non-mandatory transfers .....	(87,120)	3,446	(83,674)
Operating transfers in from primary government .....	886,536	7	886,543
Operating transfers out to primary government .....	(312)		(312)
Excess of transfers to revenue over restricted receipts .....		(9,362)	(9,362)
Total transfers and other additions (deductions) .....	799,104	(5,909)	793,195
Net increase in fund balances .....	\$ 5,649	\$ 3,838	\$ 9,487

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Statement of Changes in Fund Balances  
Component Unit Higher Education Funds  
for the year ended June 30, 2001**

(Expressed in Thousands)

	Current Funds		Endowment			Total
	Unrestricted	Restricted	Loan Funds	Funds	Plant Funds	
<b>Revenue and other additions:</b>						
Education and general revenues.....	\$ 941,842	\$ 18,182			\$ 409	\$ 960,433
Auxiliary enterprise revenues .....	316,242	1,374				317,616
Government grants and contracts - restricted.....		558,089			10,476	568,565
Private gifts, grants and contracts .....		136,123	\$ 17	\$ 672	4,113	140,925
Endowment income.....				325		325
Investment income.....		5,677	18	22,938	7,885	36,518
Change in fair value on endowment investments.....				56		56
Interest on loans receivable .....			1,531			1,531
Retirement of indebtedness.....					37,128	37,128
Expended for plant facilities (including \$57,158 charged to current funds expenditures).....					336,481	336,481
Other .....			1,565		1,140	2,705
<b>Total revenues and other additions.....</b>	<b>1,258,084</b>	<b>719,445</b>	<b>3,131</b>	<b>23,991</b>	<b>397,632</b>	<b>2,402,283</b>
<b>Expenditures and other deductions:</b>						
Educational and general expenditures.....	1,722,693	629,044		23		2,351,760
Auxiliary enterprise expenditures.....	260,939	1,075				262,014
Indirect costs recovered .....		88,941				88,941
Loan cancellations, write-offs and refunds, net of recoveries .....			1,384			1,384
Retirement of indebtedness.....					37,129	37,129
Interest on indebtedness .....					38,711	38,711
Expended for plant facilities (including non-capitalized expenditures of \$39,608).....					321,502	321,502
Disposal of property, plant and equipment .....					60,886	60,886
Other .....			702	832	30	1,564
<b>Total expenditures and other deductions.....</b>	<b>1,983,632</b>	<b>719,060</b>	<b>2,086</b>	<b>855</b>	<b>458,258</b>	<b>3,163,891</b>
Net (decrease) increase in fund balance before transfers .....	(725,548)	385	1,045	23,136	(60,626)	(761,608)
<b>Transfers among funds - (deductions) additions:</b>						
<b>Mandatory:</b>						
Debt service .....	(67,544)		13		67,531	
Loan fund matching grant .....	(363)		363			
<b>Non-mandatory :</b>						
Remodeling, renewals and replacements.....	(45,143)	(314)			45,457	
Other .....	(41,977)	3,760	(132)	(7,457)	45,806	
<b>Total transfers among funds.....</b>	<b>(155,027)</b>	<b>3,446</b>	<b>244</b>	<b>(7,457)</b>	<b>158,794</b>	
Operating transfers from primary government .....	886,536	7			121,589	1,008,132
Operating transfers to primary government.....	(312)					(312)
<b>Net increase in fund balances.....</b>	<b>5,649</b>	<b>3,838</b>	<b>1,289</b>	<b>15,679</b>	<b>219,757</b>	<b>246,212</b>
Fund balances, July 1, 2000.....	148,905	46,747	65,950	217,715	3,129,504	3,608,821
Net effect of accounting change.....					(124,132)	(124,132)
<b>Fund balances, June 30, 2001.....</b>	<b>\$ 154,554</b>	<b>\$ 50,585</b>	<b>\$67,239</b>	<b>\$233,394</b>	<b>\$3,225,129</b>	<b>\$3,730,901</b>

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

**STATE OF MARYLAND**  
**Combining Balance Sheet**  
**Component Unit Proprietary Funds**  
**June 30, 2001**  
(Expressed in Thousands)

	Maryland Stadium Authority	Maryland Prepaid College Trust	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Total
<b>Assets:</b>						
Cash and cash equivalents.....	\$ 10,267	\$ 28,882	\$ 732			\$ 39,881
Investments.....	1,319	39,629	24,732	\$ 970		66,650
Tuition contracts receivable.....		87,520				87,520
Other accounts receivable.....	8,275		8,836	2	\$ 84	17,197
Due from primary government.....	3,530			45,373	6,433	55,336
Loans and notes receivable, net.....	6,176			1,397		7,573
Property, plant and equipment, net.....	221	515	11,776		16,514	29,026
Investments in direct financing leases.....	285,949		12,523			298,472
Restricted assets.....					1,028	1,028
Other assets.....	228,796		9,485			238,281
<b>Total assets.....</b>	<b>\$544,533</b>	<b>\$156,546</b>	<b>\$68,084</b>	<b>\$47,742</b>	<b>\$24,059</b>	<b>\$840,964</b>
<b>Liabilities:</b>						
Accounts payable and accrued liabilities.....	\$ 6,535	\$ 102	\$17,609	\$ 49	\$ 32	\$ 24,327
Accrued insurance on loan losses.....				6,770		6,770
Accrued tuition benefits.....		155,308				155,308
Other liabilities.....	5,700	330	4,917		216	11,163
Deferred revenue.....	16,844			151	51	17,046
Due to primary government.....	8,625	86				8,711
Loans from primary government.....		620			6,372	6,992
Revenue bonds and notes payable.....	285,862		33,921		325	320,108
Accrued self-insurance costs.....	61	8	1,555		35	1,659
Accrued annual leave.....	440	39	915		101	1,495
<b>Total liabilities.....</b>	<b>324,067</b>	<b>156,493</b>	<b>58,917</b>	<b>6,970</b>	<b>7,132</b>	<b>553,579</b>
<b>Capital:</b>						
Contributed capital.....			1,977	25,250	363	27,590
Retained earnings:						
Reserved.....			4,758		751	5,509
Unreserved.....	220,466	53	2,432	15,522	15,813	254,286
<b>Total capital.....</b>	<b>220,466</b>	<b>53</b>	<b>9,167</b>	<b>40,772</b>	<b>16,927</b>	<b>287,385</b>
<b>Total liabilities and capital.....</b>	<b>\$544,533</b>	<b>\$156,546</b>	<b>\$68,084</b>	<b>\$47,742</b>	<b>\$24,059</b>	<b>\$840,964</b>

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

**STATE OF MARYLAND**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Retained Earnings**  
**Component Unit Proprietary Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Maryland Stadium Authority	Maryland Prepaid College Trust	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Total
<b>Operating revenues:</b>						
Charges for services and sales .....	\$ 24,801	\$ 499	\$51,539	\$ 440	\$ 3,036	\$ 80,315
Tuition contracts .....		80,406				80,406
Other .....	3,265			143	8	3,416
<b>Total operating revenues .....</b>	<b>28,066</b>	<b>80,905</b>	<b>51,539</b>	<b>583</b>	<b>3,044</b>	<b>164,137</b>
<b>Operating expenses:</b>						
Operation and maintenance of facilities.....	27,954		41,147			69,101
General and administrative .....	3,604	1,532	6,460	531	2,334	14,461
Depreciation and amortization .....	9,656	113	2,409		489	12,667
Provision for insurance on loan losses, net .....				617		617
Tuition benefits .....		79,131				79,131
Other .....		445	916	1,339	197	2,897
<b>Total operating expenses .....</b>	<b>41,214</b>	<b>81,221</b>	<b>50,932</b>	<b>2,487</b>	<b>3,020</b>	<b>178,874</b>
<b>Operating income (loss) .....</b>	<b>(13,148)</b>	<b>(316)</b>	<b>607</b>	<b>(1,904)</b>	<b>24</b>	<b>(14,737)</b>
<b>Non-operating revenues (expenses):</b>						
Investment income.....	2,421	1,015	1,509	2,729	449	8,123
Interest expense.....	(20,515)		(1,893)		(30)	(22,438)
Other .....	11,242	(4,768)	148			6,622
<b>Income (loss) before transfers .....</b>	<b>(20,000)</b>	<b>(4,069)</b>	<b>371</b>	<b>825</b>	<b>443</b>	<b>(22,430)</b>
Operating transfers in from primary government .....	30,522	370		5,085		35,977
Operating transfers out to primary government .....	(2,400)			(707)		(3,107)
<b>Net income (loss) .....</b>	<b>8,122</b>	<b>(3,699)</b>	<b>371</b>	<b>5,203</b>	<b>443</b>	<b>10,440</b>
Add: Depreciation of assets acquired from contributed capital.....			230		13	243
<b>Increase (decrease) in retained earnings .....</b>	<b>8,122</b>	<b>(3,699)</b>	<b>601</b>	<b>5,203</b>	<b>456</b>	<b>10,683</b>
Retained earnings, July 1, 2000 .....	212,344	3,752	6,589	10,319	16,108	249,112
<b>Retained earnings, June 30, 2001 .....</b>	<b>\$220,466</b>	<b>\$ 53</b>	<b>\$ 7,190</b>	<b>\$15,522</b>	<b>\$16,564</b>	<b>\$259,795</b>

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Combining Statement of Cash Flows  
Component Unit Proprietary Funds  
for the year ended June 30, 2001**

(Expressed in Thousands)

	Maryland Stadium Authority	Maryland Prepaid College Trust	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Total
<b>Cash flows from operating activities:</b>						
Operating income (loss) .....	\$(13,148)	\$ (316)	\$ 607	\$(1,904)	\$ 24	\$(14,737)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization .....	9,656	113	2,409		489	12,667
Effect of changes in assets and liabilities:						
Other accounts receivable .....	(3,524)		1,047	(2)	23	(2,456)
Tuition contracts receivable .....		(41,726)				(41,726)
Due from primary government .....	(2,313)			(6,467)	(492)	(9,272)
Loans and notes receivable, net .....				(1,397)		(1,397)
Other assets .....			(329)			(329)
Accounts payable and accrued liabilities .....	(743)	31	1,530	(21)	(41)	756
Accrued tuition benefits .....		79,100				79,100
Due to primary government .....	353	(86)				267
Other liabilities .....	3,925	330	212		1	4,468
Deferred revenue .....	(1,150)			18	(4)	(1,136)
Accrued insurance on loan losses .....				2,136		2,136
Accrued self-insurance costs .....	31		778			809
Accrued annual leave .....	69	12	17			98
Net cash provided (used) by operating activities .....	(6,844)	37,458	6,271	(7,637)		29,248
<b>Cash flows from non-capital financing activities:</b>						
Third party contributions .....	11,242					11,242
Operating transfers in from primary government .....	30,522	370		5,085		35,977
Operating transfers out to primary government .....	(2,400)			(707)		(3,107)
Net cash provided by non-capital financing activities .....	39,364	370		4,378		44,112
<b>Cash flows from capital and related financing activities:</b>						
Investment in direct financing leases .....	7,543					7,543
Increase in interest in direct financing leases .....	(4,149)		(4,337)			(8,486)
Proceeds from notes payable and revenue bonds .....			7,941			7,941
Principal paid on notes payable and revenue bonds .....	(7,539)		(2,624)		(115)	(10,278)
Interest payments .....	(20,515)		(1,893)		(30)	(22,438)
Acquisition and construction of property, plant and equipment ..	(46)	(621)	(5,746)		(462)	(6,875)
Decrease in revenue bond debt service account .....					158	158
Proceeds from property, plant and equipment sales .....			87			87
Contributed capital .....				1,500		1,500
Net cash (used) provided by capital and related financing activities .....	(24,706)	(621)	(6,572)	1,500	(449)	(30,848)
<b>Cash flows from investing activities:</b>						
Proceeds from maturity and sale of investments .....			46,944			46,944
Purchase of investments .....	(410)	(10,965)	(49,225)	(970)		(61,570)
Interest on investments .....	2,421	1,015	1,509	2,729	449	8,123
Increase in loans and notes receivable .....	442					442
Lease principal interest payments received .....			1,169			1,169
Net cash provided (used) by investing activities .....	2,453	(9,950)	397	1,759	449	(4,892)
Net increase in cash and cash equivalents .....	10,267	27,257	96			37,620
Cash and cash equivalents balance, July 1, 2000 .....		1,625	636			2,261
Cash and cash equivalents balance, June 30, 2001 .....	\$ 10,267	\$28,882	\$ 732	\$ —	\$ —	\$ 39,881

Noncash transactions (amounts in thousands):

Maryland Prepaid College Trust - Unrealized (loss) on investments \$(4,768).

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

**STATE OF MARYLAND**  
**Notes to General Purpose Financial Statements**  
**for the year ended June 30, 2001**

**1. Financial Reporting Entity And Description of Funds and Account Groups:**

*A. Reporting Entity:*

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States, these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the governing body to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

*DISCRETE COMPONENT UNITS*

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The two Component Units columns of the combined financial statements include the financial data of these entities.

Colleges and Universities (Higher Education Fund) - Colleges and universities consist of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The colleges and universities are funded through State appropriations, tuition, federal grants, and private donations and grants. Because the colleges and universities are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Most of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the colleges and universities in accordance with the requirements of GASB Statement No. 14.

Maryland Stadium Authority (Proprietary Fund Type) - The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and the Treasurer) have approved all of the projects and bond issuances of the Authority.

Maryland Food Center Authority (Proprietary Fund Type) - The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight are appointed by the Governor. The Authority was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Environmental Service (Proprietary Fund Type) - The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority (Proprietary Fund Type) - The Maryland Industrial Development Financing Authority (Authority) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The Authority provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Prepaid College Trust (Proprietary Fund Type) - The Maryland Prepaid College Trust (Trust) is an independent agency of the State and is directed by the Maryland Higher Education Investment Board. The Board consists of four State officials and five members of the public appointed by the Governor. The Trust provides a method for Maryland citizens to save money for college tuition. A purchaser may enter into a single payment or installment contract with the Trust for the future payment of tuition and fees for a designated beneficiary. The law provides that the Board shall invest the assets of the Trust to earn sufficient revenues to pay all administrative costs. Prior legislation has established an additional financial

guarantee that requires the Governor to include in the State's budget the amount of any shortfall of the Trust's assets to pay current contract liabilities.

Complete financial statements of the individual component units and the Local Government Investment Pool may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

*B. Fund Accounting:*

The State uses funds, account groups and component units to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. Funds are separate accounting entities, each with a self-balancing set of accounts which represent the fund's assets, liabilities, equity (deficit), revenues and expenditures or expenses. There are three categories of "fund types": governmental, proprietary and fiduciary.

*GOVERNMENTAL FUND TYPES*

Transactions related to the acquisition and use of the government's expendable financial resources received and used for those services traditionally provided by governments are accounted for in governmental funds. The governmental fund measurement focus is the flow of current financial resources and financial position (sources, uses and balances). Governmental funds include the following:

*General Fund:*

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, public safety and judicial, health and mental hygiene, human resources and education (other than higher education institutions). Resources obtained from federal grants and used for activities accounted for in the general fund, consistent with applicable legal requirements, are recorded in the general fund.

*Special Revenue Funds:*

Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue funds. The special revenue funds account for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation and the Maryland Transportation Authority, including construction or improvement of transportation facilities and mass transit operations.

*Debt Service Funds:*

Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations, transportation debt and Maryland Transportation Authority debt are accounted for in the debt service funds.

*Capital Projects Fund:*

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations, are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

*PROPRIETARY FUND TYPE*

*Enterprise Funds:*

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The proprietary fund types differ from governmental fund types in that the focus is on the flow of economic resources which, together with the maintenance of equity, is an important financial indicator. The enterprise funds include:

1. Economic Development, which consists of direct loan and loan insurance programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.
2. Maryland State Lottery Agency, which operates the State Lottery.
3. State Use Industries, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

## *FIDUCIARY FUND TYPES*

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in fiduciary fund types. Fiduciary fund types include the following:

1. The expendable trust fund, which reflects the transactions, assets, liabilities and fund equity of the Unemployment Insurance Program and the Deferred Compensation Plan and is accounted for on a flow of current financial resources measurement focus. The Unemployment Insurance Program is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.
2. The investment trust fund, which reflects the transactions, assets, liabilities and fund equities of the Maryland Local Government Investment Pool (Pool) and is accounted for using the flow of economic resources measurement focus.
3. The State Retirement and Pension System of Maryland and the Mass Transit Administration Pension Plan, which reflect the transactions, assets, liabilities and fund equities of the retirement and pension plans administered by the State and the Mass Transit Administration and are accounted for using the flow of economic resources measurement focus.
4. The agency funds, which are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, the amounts the State invests for political subdivisions on a pooled basis, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employees' payroll.

## *ACCOUNT GROUPS*

Account groups are used to establish accounting control and accountability for the State's general fixed assets and the unmatured principal of its general long-term debt and other long-term obligations of governmental fund types. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term obligations require current appropriation and expenditure of governmental fund financial resources.

### *General Fixed Assets Account Group:*

General fixed assets acquired, leased under capital lease agreements or constructed for use by the State in the conduct of its activities, other than activities accounted for in enterprise funds and the discretely presented component units (proprietary funds and higher education), are reflected in the general fixed assets account group when acquired. These fixed assets are stated at cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the time donated. Depreciation is not provided for general fixed assets, and interest incurred during construction is not capitalized. Infrastructure assets, consisting principally of highways, roads and bridges, are not recorded in the general fixed assets account group.

### *General Long-Term Debt Account Group:*

General obligation, transportation and Maryland Transportation Authority bonds payable, capital lease obligations, accrued self-insurance costs and accrued annual leave related to general governmental activities are reflected in the general long-term debt account group.

## **2. Summary of Significant Accounting Policies:**

### *A. All Funds:*

#### *Deposits and Investments:*

Cash on hand, demand deposits and short-term investments maturing within ninety days of purchase are considered cash and cash equivalents. Investments are recorded at fair value in the combined balance sheet and changes in fair value are recognized as revenue in the combined operating statements. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded.

#### *Retirement Costs:*

Substantially all State employees participate in one of several State retirement systems; (see Note 15). The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement expenditures for governmental fund types represent amounts contributed by the State for the fiscal year. Retirement costs have been provided on the accrual basis, based upon actuarial valuations.

*Accrued Self-Insurance Costs:*

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary and discretely presented component unit fund types on an accrual basis and the modified accrual basis for the governmental fund types. The long-term accrued self-insurance costs of the governmental fund types which are not expected to be funded with current resources are reported in the general long-term debt account group.

*Annual Leave Costs:*

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 50 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the general long-term debt account group. Liabilities for accumulated earned but unused annual leave applicable to enterprise funds and the proprietary and higher education component units are reported in the respective funds.

*Interfund Transactions:*

The State has the following types of transactions among funds:

Statutory transfers (Operating Transfers) – Legally required transfers that are reported when incurred as “Operating transfers in” by the recipient fund and as “Operating transfers out” by the disbursing fund. Legally required transfers between primary government and component unit organizations are reported when incurred as “Operating transfers in from component unit” by the recipient organization and “Operating transfers out to primary government” or “Operating transfers out to component unit” by the disbursing fund and “Operating transfers in from primary government”.

Transfers of Expenditures (Reimbursements) – Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Interfund payments (Quasi-external Transactions) – Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and as expenditures or expenses of the disbursing fund.

*“Total Memorandum Only” Columns:*

The “Total Memorandum Only” columns represent an aggregation of the individual combined financial statements for the primary government and the reporting entity, and do not represent consolidated financial information.

*New Pronouncements:*

In June 2000, GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Additionally, in June 2001, GASB issued Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis of State and Local Government Omnibus and GASB Statement No. 38, Certain Financial Statement Note Disclosures. These statements establish financial reporting standards for state and local governments. They establish that the basic financial statements and required supplementary information for general purpose governments should consist of management's discussion and analysis, basic financial statements, including government – wide financial statements, fund financial statements and notes to the financial statements, and required supplementary information. The State is in the process of assessing the impact of these statements and will implement them as of the effective date for the fiscal year ended June 30, 2002.

*B. Governmental Fund Types, Expendable Trust and Agency Funds:*

*Basis of Accounting:*

The accounts of the general, special revenue, debt service, capital projects, expendable trust and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues susceptible to accrual are recognized in the financial statements when they are both measurable and available to liquidate liabilities existing at the end of the fiscal year. This availability period is generally 90 days. Material revenues susceptible to accrual include: federal grants, personal income taxes, sales and use taxes, and motor vehicle fuel and excise taxes. Expenditures are recognized when obligations are incurred as a result of receipt of goods and services. Encumbrances represented by executed and unperformed purchase orders and contracts are recorded as reservations of fund balance as of the end of the fiscal year.

Modifications to the accrual basis of accounting to reflect the modified accrual basis include the following:

- Interest on long-term obligations reflected in the general long-term debt account group is recognized in the debt service fund when it becomes payable.
- Inventories of materials and supplies are recorded as expenditures when purchased. Such inventories are not material.
- Expenditures for retirement costs, and employees' vested annual leave and sick leave are recorded as expenditures when paid.

*Grants:*

Revenues from federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are available to reimburse the expenditures. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

*Income Taxes:*

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

*Sales and Use Taxes:*

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

*Property Taxes:*

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real and personal property subject to taxation, due and payable each July 1 (lien date), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at various rates of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate since 1982 has been maintained at 21¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Current collections are 98.7% of the total tax levy for the fiscal year. Property taxes are accrued to the extent they are collected within 60 days of year end.

*Escheat Property:*

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. The asset is recognized in the period when the legal claim to the assets arise or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

*Intergovernmental Expenditures:*

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions and other public organizations, are recorded as intergovernmental expenditures. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

*Capital Outlays:*

Principally all capital expenditures for the acquisition or construction of State general fixed assets are reported as capital outlays in the capital projects fund.

*C. Enterprise Funds, Pension Trust Funds, Investment Trust Fund and Component Units - Proprietary Funds:*

*Basis of Accounting:*

The accounts of the enterprise funds, investment trust fund, pension trust funds, and component units - proprietary funds are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. For the enterprise funds and component unit proprietary funds, the State has selected the option to apply all applicable GASB pronouncements and only FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989.

*Grants:*

Revenues from federal reimbursement type grants are recorded when the related expenses are incurred.

*Property, Plant and Equipment:*

Significant property, plant and equipment of enterprise funds are stated at cost. Depreciation of the cost of property, plant and equipment of the enterprise funds is provided on the straight-line basis over estimated useful lives of 25 to 50 years for depreciable real property, 5 to 10 years for building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

*Debt Refinancing:*

The gain or loss associated with enterprise fund debt refinanced is deferred and amortized to interest expense over the life of the debt.

*Lottery Revenues, Prizes and Operating Transfers:*

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

*Provisions for Insurance and Loan Losses:*

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

*Inventories:*

Inventories of the enterprise funds are stated at the lower of cost or market, using the first-in, first-out method.

*D. Component Units-Higher Education Fund:*

*Basis of Accounting:*

The financial statements of the Higher Education Component Unit have been prepared in accordance with Governmental Accounting Standards which allow colleges and universities to follow the American Institute of Certified Public Accountants' reporting model.

The accounts of the higher education institutions are maintained and reported on the accrual basis of accounting except for tuition and fees revenue and depreciation expense as explained in the following paragraphs.

*Fund Accounting:*

The financial activities of the higher education institutions are recorded in funds which classify the various transactions by specified activities or objectives. Fund balances of current restricted, loan and endowment funds are reported as reserved for higher education programs and higher education general endowment funds.

Unrestricted revenue is accounted for in the current unrestricted fund. Restricted gifts, grants, endowment income and other restricted resources are accounted for in the current restricted fund, loan funds, endowment and plant funds. Revenue and expenditures are reported in the current restricted fund when financial resources are used for the current operating purposes for which they have been provided. Transactions related to the various student loan programs are accounted for in loan funds. Resources dedicated to the acquisition of and investment in property, plant and equipment are accounted for in the plant funds. To the extent current funds are used to finance plant assets, these amounts provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt repayment and interest, and equipment renewals and replacements; and (3) transfers of a nonmandatory nature in all other cases. General endowment resources are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized.

*Grant Revenues:*

Revenues from federal reimbursement type grants are recorded when the related expenditures are incurred in the restricted and unrestricted current funds. A portion of the fund balance of the restricted current fund represents cash received in excess of grant expenditures and is subject to refund to the Federal government if not expended for its intended purpose.

*Student Revenues:*

Student tuition and fees are fully recognized as revenues in the fiscal year in which the related courses or activities are principally conducted. Student tuition and fees applicable to future courses and activities, collected as of the end of the fiscal year, are recorded as deferred revenue.

*Accounts and Notes Receivable:*

An allowance for doubtful receivables is provided for estimated losses expected to be incurred in collection. The estimated losses are based on historical collection experience and a review of the status of year-end receivables.

*Inventories:*

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

*Property, Plant and Equipment:*

Property, plant and equipment are stated principally at cost as of the date of acquisition or fair value as of the date of donation in the case of gifts. Consistent with generally accepted accounting principles for governmental colleges and universities, depreciation expense related to property, plant and equipment is not recorded.

*Operating Transfers from the State:*

A substantial portion of the higher education fund's current unrestricted and plant fund expenditures are funded through appropriations from the State's general fund and capital projects fund, respectively.

*Change in Accounting Principle:*

During fiscal year ended June 30, 2001, the colleges and universities increased the threshold amount used for determining whether real property fixed assets should be capitalized or charged to expenditures in order to keep the types of assets being capitalized consistent over time with changes in general price levels. The net effect of this accounting change resulted in a \$124,132,000 reduction in the amount of assets recorded in Invested in Plant in the Plant Fund. Accordingly, the beginning fund balance for the Component Unit Higher Education, Plant Funds was restated from \$3,129,504,000 to \$3,005,372,000.

### **3. Budgeting and Budgetary Control:**

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the following three budgetary funds.

*General Fund:*

The General Fund includes all transactions of the State, unless otherwise directed to be included in another fund.

*Special Fund:*

The Special Fund includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue funds include only the operations (other than debt service and pension activities) of the Maryland Department of Transportation and Maryland Transportation Authority.

*Federal Fund:*

The Federal Fund accounts for substantially all grants from the Federal government.

*Budgetary Fund Equities and Other Accounts:*

In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund. Because capital projects fund authorizations are not part of the annual budget, capital projects fund activities are not presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances - Budget and Actual - for the year ended June 30, 2001.

All State budgetary expenditures for the general, special and federal are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level for the general, special and federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in the total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2001, the General Assembly approved a net increase in General Fund appropriations of \$124,864,000. Appropriations for programs funded in whole or in part from the special or federal funds may permit expenditures in excess of original special or federal funds appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller provides a more comprehensive accounting of activity on the budgetary basis.

The amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances - Budget and Actual - for the year ended June 30, 2001. The State's budgetary fund structure and the basis of accounting used for budgetary purposes, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2001, follows (amounts expressed in thousands).

	Total Budgetary Fund Equities and Other Accounts June 30, 2001	Financial Statement Funds							Component Units	
		General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	Higher Education	Proprietary Funds	
Classification of budgetary fund equities and other accounts into GAAP fund structure:										
General .....	\$ 1,776,881	\$ 1,776,881								
Special .....	809,503	285,535	\$ 160,483	\$ 43,630	\$ 10,680	\$ 300,537	\$ 8,038		\$ 600	
Current unrestricted .....	313,668							\$ 313,668		
Current restricted .....	4,707							4,707		
Other accounts (a):										
Non-budgeted .....	80,161	68,322	10,164		49	1,256				370
Transportation Authority .....	456,885		361,871	95,014						
Debt service										
transportation bonds .....	3,842			3,842						
Capital projects .....	701,211				632,065	69,146				
Enterprise .....	1,174,700					1,174,700				
Expendable trust .....	2,625,033						2,625,033			
Investment trust .....	1,032,586						1,032,586			
Pension trust .....	29,543,098						29,543,098			
Component units:										
Higher education .....	3,412,526							3,412,526		
Proprietary funds .....	286,415									286,415
Budgetary fund equities and other accounts classified into GAAP fund structure: .....	<u>\$42,221,216</u>	2,130,738	532,518	142,486	642,794	1,545,639	33,208,755	3,730,901		287,385
Accounting principle differences:										
Assets recognized in the GAAP financial statements not recognized for budgetary purposes:										
Cash .....		139,882								
Investments .....		17,296								
Taxes receivable .....		168,485								
Intergovernmental receivables .....		(10,552)	5,500							
Other accounts receivable .....		35,910								
Loans and notes receivable .....		2,520								
Other assets .....		82,921	342							
Liabilities recognized in GAAP financial statements not recognized for budgetary purposes:										
Accounts payable and accrued liabilities ...		(103,579)	(6,043)							
Accounts payable to political subdivisions ...		(63)	(10,922)							
Deferred revenue .....		1,184								
Accrued self-insurance costs .....		(8,137)								
GAAP financial statement fund equities, June 30, 2001 .....		\$2,456,605	\$ 521,395	\$142,486	\$642,794	\$1,545,639	\$33,208,755	\$3,730,901		\$287,385

(a) In addition to the accounting system maintained by the Comptroller, certain individual agencies, which are not subject to the State's budget, maintain accounting systems which are required to be included to properly present the State's financial reporting in accordance with generally accepted accounting principles.

#### 4. Deposits with Financial Institutions and Investments:

Substantially all cash and cash equivalents of the governmental fund types and certain enterprise, fiduciary funds and component units are maintained by the State Treasurer on a pooled basis. The State Treasurer's Office invests short-term cash balances on a daily basis primarily in repurchase agreements, U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.

In addition, bond sale proceeds may be invested in Municipal securities. A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping.

Investments maturing within 90 days of purchase are reported at amortized cost in the financial statements as cash and cash equivalents. Cash and cash equivalents for the primary government and component units totaled \$4,875,557,000 and \$153,836,000, respectively, as of June 30, 2001. Included as cash and cash equivalents for financial statement presentation were certain short term investments which are included in note 4B and categorized as to custodial credit risk or included in Note 4B and not categorized as to credit risk because they do not exist in physical or book entry form. These cash and cash equivalents totaled \$4,419,624,000 and \$118,076,000 for the primary government and component units, respectively, as of June 30, 2001.

##### *A. Cash Deposits*

Cash deposits are categorized to give an indication of the level of custodial credit risk assumed by the State. Category 1 includes deposits insured or collateralized with securities held by the State or its agent in the State's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the State's name. Category 3 includes deposits which are uncollateralized.

As of June 30, 2001, the bank deposits of the enterprise funds of the primary government totaled \$31,108,000, and are Category 2 assets which are insured by Federal depository insurance or collateralized by securities held in trustee bank accounts in the enterprise funds' name.

As of June 30, 2001, the carrying value of bank deposits for the Pension Trust Funds, the agency funds and the Deferred Compensation Plan totaled \$50,827,000. Of that amount \$17,780,000 was pooled by the State and is comprised of Category 1 assets. The remaining bank balance of \$33,047,000 was uninsured and uncollateralized and is a Category 3 asset.

The bank balance of cash deposited with financial institutions for the Component Units was \$35,760,000 of which \$5,617,000 is Category 1 and is insured by Federal, private or foreign national government depository insurance, or was collateralized by a pledge of U.S. Treasury obligations held by the component unit's agent in the component unit's name. The remaining \$30,143,000 is categorized as risk Category 3, \$29,292,000 of which is uninsured and unregistered, and collateralized with securities held by the pledging financial institution's agent, but not in the component unit's name and \$851,000 of which is uninsured and uncollateralized.

##### *B. Investments*

The State's investments are classified as to custodial credit risk by the three categories described below.

Category 1 Insured or registered, with securities held by the State or its agent in the State's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the State's name.

All of the State's investments held at year-end are subject to classification of custodial credit risk except for those investments, that do not exist in physical or book entry form which by their nature are not subject to risk categorization. The State's pooled investments that are not subject to risk categorization include the Maryland Local Government Investment Pool, annuity contracts, guaranteed investment contracts, mutual funds, real estate and investments held by borrowers for lent securities collateralized with cash.

1. *Investments-Governmental Fund Types:*

Investments are stated at fair value that is based on quoted market prices. The investments as of June 30, 2001, for the governmental fund types of the primary government are categorized as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U. S. Treasury and agency obligations.....	\$1,496,581			\$1,496,581
Repurchase agreements.....	2,665,913			2,665,913
Bonds.....	878			878
	<u>\$4,163,372</u>			<u>4,163,372</u>
Items not subject to classification:				
Mutual funds .....				743,837
Local Government Investment Pool.....				108,962
Total.....				<u>\$5,016,171</u>

As of June 30, 2001, cash in the amount of \$5,150,000 was maintained with fiscal agents and represents resources transmitted to bond paying agents for which coupons have not been presented. This cash which is included above was invested in mutual funds that invest only in U.S. Treasury and agency obligations and, therefore, is not categorized.

The Maryland Local Government Investment Pool is operated in accordance with Rule 2 a-7 of the Investment Company Act of 1940, as amended. As of June 30, 2001, the net asset value, offering and redemption price per share was \$1.00. The fair value of the State of Maryland's investment in the pool is equal to the fair value of its shares in the pool.

2. *Investments-Enterprise Fund Type:*

Investments of the enterprise funds are stated at fair value, which is based on quoted market prices. The investment policies for all enterprise funds, with the exception of the Community Development Administration, are the same as those of the State Treasurer. The Community Development Administration, an agency of the Department of Housing and Community Development, is authorized to invest in obligations of the U.S. Treasury, U.S. Government agencies and corporation, political subdivisions of the U.S., banker's acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. The U.S. Treasury and agency obligations and collateral for the repurchase agreements are held by the enterprise fund's agent in the enterprise fund's name.

The investments as of June 30, 2001, for the enterprise fund of the primary government are as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U. S. Treasury and agency obligations.....	\$ 970,840			\$ 970,840
Repurchase agreements.....	375,009			375,009
Corporate equity securities .....	14,202			14,202
	<u>\$1,360,051</u>			<u>1,360,051</u>
Items not subject to classification:				
Mutual funds .....				174,875
Annuity contracts .....				5,640
Guaranteed investment contracts .....				16,626
Total.....				<u>\$1,557,192</u>

3. *Investments-Fiduciary Funds:*

The Maryland Local Government Investment Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2. Investments of the plan are stated at fair value.

The Pension Trust Funds (Funds), in accordance with State Personnel and Pensions Article Section 21-123 of the Annotated Code of Maryland, are permitted to make investments subject to the terms, conditions, limitations, and restrictions imposed by the Board of Trustees of the State Retirement and Pension Systems of Maryland. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in nondividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the net plan assets available for pension benefits. Investments of the Funds are stated at fair value.

State employees are offered participation in a deferred compensation plan (Plan) created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the State's Supplemental Retirement Systems is responsible for the implementation, maintenance and administration of the Plan. The Board has appointed a private company as the Plan administrator. Assets of the Plan are held in trusts for the exclusive benefit of participating employees and their beneficiaries. Investments of the Plan are stated at fair value.

The investments as of June 30, 2001, for the fiduciary funds of the primary government are as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U.S. Treasury and agency obligations .....	\$ 1,684,470			\$ 1,684,470
Repurchase agreements.....	324,219			324,219
Bonds.....	3,032,745			3,032,745
Corporate equity securities .....	14,401,142			14,401,142
Commercial paper .....	328,877			328,877
Bankers acceptances.....	131,245			131,245
Mortgage related securities.....	2,500,014			2,500,014
	<u>\$22,402,712</u>			<u>22,402,712</u>
Items not subject to classification:				
Guaranteed investment contracts .....				307,287
Annuity contracts .....				246,885
Mutual funds .....				5,714,368
Real estate.....				768,297
Global pooled with short term investments.....				602,381
Investments held by borrowers under securities lent with cash collateral:				
U.S. Treasury and agency obligations .....				1,164,849
Bonds.....				82,479
Corporate equity securities .....				1,291,022
Total.....				<u>\$32,580,280</u>

The Funds may invest in derivatives as permitted by guidelines established by the Board of Trustees of the State Retirement and Pension Systems of Maryland. Compliance with these guidelines is monitored by the Fund's staff. At times, the Funds invest in foreign currency forward contracts, options, futures, collateralized mortgage obligations, mortgage-backed securities, interest-only securities and principal-only securities. No derivatives were purchased with borrowed funds.

Derivatives are used to hedge against foreign currency risk, improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. These securities are subject to changes in value due to changes in interest rates or currency valuations. The mortgage-backed securities are subject to prepayment risk when interest rates are falling. Credit risk for derivatives is the risk that the counterparty will be unable to meet its obligations.

The Funds invest in foreign currency forward contracts to hedge the currency risk in their international and global portfolios. The following summary shows the foreign currency forward contracts outstanding as of June 30, 2001 (amounts expressed in thousands).

Purchases		
Currency	Purchase Amount (In Local Currency)	Fair Value as of June 30, 2001
Canadian dollar.....	13,228	\$ 8,707
Euro currency.....	84,610	71,538
Swiss franc .....	17,103	9,528
U.S. dollar .....	154,577	154,577
Total purchases.....		<u>\$244,350</u>

Sales		
Currency	Purchase Amount (In Local Currency)	Fair Value as of June 30, 2001
Australian dollar.....	15	\$ 8
Canadian dollar.....	30,836	20,299
Euro currency.....	109,464	92,643
Japanese yen .....	13,643,007	110,499
Pound sterling.....	11,197	15,718
U.S. dollar .....	4,353	4,353
Total sales.....		<u>\$243,520</u>

#### 4. Investments-Component Units:

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, repurchase agreements, and mutual funds that invest in government securities.

The Maryland Stadium Authority's marketable securities are held by the Bond Trustee. Proceeds to purchase these marketable securities were derived from various bond issues and any proceeds from the sale of these marketable securities are restricted to the purpose of the original bond issue.

The investments of the Maryland Environment Service (Service) primarily relate to bond indentures. The Service or its trustee banks are authorized to invest assets related to bond indentures in obligations of the United States of America, any federal agency, high quality commercial paper or mutual funds that invest in U.S. Government securities. Additionally, the Service may otherwise invest in securities allowed by the State.

Investments of the Maryland Stadium Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority, Maryland Prepaid College Trust and the higher education institutions are stated at fair value, which is based on quoted market prices.

The investments as of June 30, 2001, for the discretely presented component units are as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U.S. Treasury and agency obligations .....	\$ 3,680	\$ 7,947		\$ 11,627
Repurchase agreements.....	7,519			7,519
Bonds.....		35		35
Corporate debt securities .....	27,321	526		27,847
Corporate equity securities .....	182,903	1	\$1,209	184,113
Asset-backed securities .....	12,913	760		13,673
Certificates of deposit.....	970			970
Foreign government securities .....	228			228
	<u>235,534</u>	<u>9,269</u>	<u>1,209</u>	<u>246,012</u>
Items not subject to classification:				
Mutual funds .....				180,843
Total.....				<u>\$ 426,855</u>

Derivatives are used to hedge against foreign currency risk, improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. These securities are subject to changes in value due to changes in interest rates or currency valuations. The asset backed securities, which are primarily secured by mortgages, meet the definition of derivatives as defined by GASB Technical Bulletin 96-1. These securities are subject to prepayment risk when interest rates are falling.

*C. Securities Lending Transactions:*

*1. Governmental and Enterprise Fund Types:*

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. The State's custodial banks manage the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. The collateral will be returned for the same securities in the future. The collateral cannot be pledged or sold by the State unless the borrower defaults. Cash collateral is initially pledged at greater than the market value of the securities lent and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent. Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. Therefore, the duration of lending agreements does not generally match the maturities of the investments made with cash collateral.

The bank is obligated to indemnify the State against liability for any suits, actions, or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2001. Furthermore, as of June 30, 2001, the State had no credit risk exposure to borrowers because the fair value of collateral for the securities lent was at least 100% of the fair value of the related securities, as follows (amounts expressed in thousands).

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
<u>Governmental Fund Types:</u>			
Securities – U.S. Treasury Obligations.....	\$113,046	\$114,862	101.6%

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
<u>Enterprise Fund Types - Lottery:</u>			
Securities – US Treasury Obligations.....	\$97,775	\$101,444	103.7%

## 2. Fiduciary Fund Type:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Funds' custodian lends specified securities to independent brokers in return for collateral of greater value. All lent securities are reported as assets on the combined balance sheet and are included in the categorization of credit risk.

Borrowing brokers must transfer in the form of cash, other securities or letters of credit valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or market risk on securities lending activity since inception of the program. As of June 30, 2001, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities.

Although the average term of the Funds' security loans is one week, each loan can be terminated at will by either the Funds or the borrower. Cash collateral is invested in two of the lending agent's short-term investment pools, which at June 30, 2001, had interest rate sensitivity durations of 79 and 66 days. Because the relationship between the maturities of the investment pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds cannot pledge or sell collateral securities received unless and until a borrower defaults. Investments made with cash received as collateral and the corresponding liabilities are reported in the Combining Balance Sheet, Fiduciary Fund Types, Pension Trust Funds.

As of June 30, 2001, the fair value of lent securities and the related collateral were as follows (amounts expressed in thousands).

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
Securities:			
International equity securities .....	\$1,069,852	\$1,112,027	103.9%
Domestic and international fixed securities.....	1,480,857	1,525,042	103.0%
Total .....	\$2,550,709	\$2,637,069	

## 5. Taxes Receivable:

Taxes receivable, as of June 30, 2001, consist of the following (amounts expressed in thousands).

	Funds			
	General	Special Revenue	Debt Service	Trust and Agency
Income taxes .....	\$548,234			\$225,431
Sales and use taxes .....	239,787			
Transportation taxes, principally motor vehicle fuel and excise .....		\$117,135		
Unemployment compensation taxes .....				115,645
Other taxes, principally alcohol & property.....	17,506		\$7,885	
Taxes receivable, net .....	\$805,527	\$117,135	\$7,885	\$341,076

## 6. Due From/To Other Funds:

Interfund receivables and payables, as of June 30, 2001, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund- Maryland Department of Transportation	\$ 16,255
	Enterprise Fund-Economic Development- Loan Programs	8,279
	Enterprise Fund-Maryland State Lottery Agency	61,469
	Component Units – Maryland Stadium Authority	8,625
	Component Units – Pre-Paid College Trust	86
		<u>\$ 94,714</u>
Special Revenue Fund- Maryland Department of Transportation	General Fund	\$ 159,719
Maryland Transportation Authority	Special Revenue Fund- Maryland Department of Transportation	10,922
		<u>\$ 170,641</u>
Capital Projects Fund	General Fund	<u>\$ 689,819</u>
Enterprise Funds - Economic Development- Insurance Programs	General Fund	\$ 99,355
Loan Programs	General Fund	129,918
Maryland State Lottery Agency	General Fund	80,824
State Use Industries	General Fund	9,771
		<u>\$ 319,868</u>
Pension Trust Fund - Mass Transit Administration Pension Plan	State Retirement System	<u>\$ 1,094</u>
Agency Funds- Local Income Taxes	General Fund	\$1,108,659
Payroll Taxes & Fringe Benefits	General Fund	6,956
Insurance Premium Taxes	General Fund	37,776
Local Transportation Funds and Other Taxes	General Fund	14,223
		<u>\$1,167,614</u>
Components Units - Higher Education Fund	General Fund	<u>\$ 530,766</u>
Components Units - Proprietary - Maryland Stadium Authority	General Fund	\$ 3,530
Maryland Food Center Authority	General Fund	6,433
Maryland Industrial Development Financing Authority	General Fund	45,373
		<u>\$ 55,336</u>

## 7. Loans and Notes Receivable and Investment in Direct Financing Leases:

### A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2001, consist of the following (amounts expressed in thousands).

	Primary Government					Component Units	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Higher Education	Proprietary Fund Types
Notes receivable:							
Political subdivisions -							
Water quality projects.....			\$ 7,911		\$ 378,707		
Construction .....		\$11,252	807				
Other.....			72				\$6,176
Hospitals and nursing homes .....			10,203				
Permanent mortgage loans.....					2,536,616		
Student and health profession loans.....						\$71,137	
Shore erosion loans .....				\$10,680			
Other.....	\$3,763					5,693	1,397
Total .....	3,763	11,252	18,993	10,680	2,915,323	76,830	7,573
Less: Allowance for possible loan losses.....			6		135,201	8,717	
Loans and notes receivable, net.....	\$3,763	\$11,252	\$18,987	\$10,680	\$2,780,122	\$68,113	\$7,573

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.0% to 9.2% and mature over approximately 27 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' federal assistance program.

The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes.

Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

*B. Investment in Direct Financing Leases:*

As of June 30, 2001, the Maryland Environmental Service (Service) has direct financing leases with the State of Maryland. The present value of the direct financing leases as of June 30, 2001, is \$12,523,000. As of June 30, 2001, the Service held \$7,034,000 to be spent to complete assets under these direct financing leases. Lease payments receivable (including unearned interest) for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

2002 .....	\$ 2,554
2003 .....	2,398
2004 .....	2,299
2005 .....	2,114
2006 .....	1,980
2007 and thereafter .....	15,330
Total .....	26,675
Less: Unearned interest income .....	7,118
	19,557
Restricted investments related to unexpended bond proceeds .....	7,034
Net investments in direct financing leases .....	\$12,523

As of June 30, 2001, the Maryland Stadium Authority (Authority) has direct financing leases with the State of Maryland. The present value of the direct financing leases as of June 30, 2001, is \$285,949,000. As of June 30, 2001, the Authority held \$26,000 to be spent to complete assets under these direct financing leases. Lease payments receivable (including unearned interest) for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

2002 .....	\$ 25,762
2003 .....	25,734
2004 .....	26,559
2005 .....	25,498
2006 .....	26,347
2007 and thereafter .....	374,910
Total .....	504,810
Less: Unearned interest income .....	218,835
	285,975
Restricted investments related to unexpended bond proceeds .....	26
Net investments in direct financing leases .....	\$285,949

**8. Property, Plant And Equipment:**

*A. Enterprise Funds:*

Property, plant and equipment of the Enterprise funds, as of June 30, 2001, consist of the following (amounts expressed in thousands).

Structures and improvements.....	\$ 1,080
Equipment .....	32,972
	34,052
Less: Accumulated depreciation.....	25,422
Total .....	\$ 8,630

*B. General Fixed Assets:*

General fixed assets activity by asset classification for the year ended June 30, 2001, are as follows (amounts expressed in thousands).

Classification	Balance July 1, 2000	Additions	Deletions	Transfers in (out)	Balance June 30, 2001
Land and improvements .....	\$ 1,515,644	\$183,747	\$ 23,500	\$ 23,927	\$ 1,699,818
Structures and improvements .....	6,778,280	208,047	70,619	200,978	7,116,686
Equipment .....	1,890,966	137,365	123,261	68,162	1,973,232
Construction in progress .....	366,276	434,339	222	(293,067)	507,326
<b>Total .....</b>	<b>\$10,551,166</b>	<b>\$963,498</b>	<b>\$217,602</b>	<b>\$ —</b>	<b>\$11,297,062</b>

*C. Component Units:*

Property, plant and equipment of the discretely presented Component Units, as of June 30, 2001, consist of the following (amounts expressed in thousands).

	Higher Education Fund	Proprietary Funds
Land and improvements (proprietary funds include \$1,591 of land held for development) .....	\$ 227,592	\$ 4,664
Structures and improvements .....	2,551,228	49,150
Equipment .....	693,382	16,216
Construction in progress .....	385,205	4,775
	<b>3,857,407</b>	<b>74,805</b>
Less: Accumulated depreciation .....		45,779
<b>Total .....</b>	<b>\$3,857,407</b>	<b>\$29,026</b>

**9. Long-Term Obligations:**

*A. General Long-Term Debt:*

Changes in general long-term debt, for the year ended June 30, 2001, are as follows (amounts expressed in thousands).

	General Obligation Bonds	Transportation Bonds	Maryland Transportation Authority Bonds	Accrued Self- Insurance Costs	Accrued Annual Leave	Obligations Under Capital Leases	Obligations Under Capital Leases with Component Units	Total Long- Term Obligations
Balance, July 1, 2000 .....	\$3,348,866	\$729,820	\$318,674	\$145,216	\$182,918	\$239,595	\$302,848	\$5,267,937
Bond issuances .....	400,000							400,000
Bond accretion .....			4,207					4,207
New obligations under capital leases ...						70,793	6,517	77,310
Reduction in bond principal .....	(297,966)	(77,310)	(22,305)					(397,581)
Retirements of obligations under capital leases .....						(73,531)	(10,893)	(84,424)
Net increase in accrued self- insurance costs .....				9,001				9,001
Net increase in accrued annual leave					15,721			15,721
<b>Balance, June 30, 2001 .....</b>	<b>\$3,450,900</b>	<b>\$652,510</b>	<b>\$300,576</b>	<b>\$154,217</b>	<b>\$198,639</b>	<b>\$236,857</b>	<b>\$298,472</b>	<b>\$5,292,171</b>

*General Obligation Bonds -*

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, including facilities for institutions of higher education and the construction of public schools in political subdivisions.

Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller, and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts for part or all of the loans authorized by particular enabling acts.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, debt

service fund loan repayments and general fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2001, the State issued \$400,000,000 of general obligations at a premium of \$23,126,000 with related issuance costs of \$236,000.

Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

As of June 30, 2001, the State has \$10,835,000 of defeased debt outstanding, none of which was defeased during the year ended June 30, 2001.

General obligation bonds issued and outstanding, as of June 30, 2001, are as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Principal Issued	Principal Outstanding
7/24/86	1990-2002	6.50-6.70	\$ 164,645	\$ 17,980
7/9/87	1991-2003	6.30-6.50	144,860	30,015
7/17/90	1994-2006	6.40-6.80	95,000	16,675
10/16/90	1994-2006	6.10-7.10	95,000	8,090
3/26/91	1994-2006	5.50-6.50	95,000	25,665
7/23/91	1995-2007	5.50-6.50	100,000	45,235
10/22/91	1995-2007	5.10-6.10	120,000	66,565
5/27/92	1995-2007	4.40-6.00	120,000	66,475
2/2/93	1996-2008	4.75-5.50	130,000	80,845
6/3/93(a)	1994-2008	4.50-5.50	278,150	198,620
10/21/93(a)	1995-2009	3.00-4.75	283,545	226,275
3/3/94(a)	1995-2009	3.50-4.75	184,210	109,350
6/2/94	1997-2009	4.88-5.50	120,000	83,295
10/20/94	1998-2010	5.00-6.00	160,000	121,640
3/23/95	1998-2010	5.00-5.70	175,000	133,950
10/26/95	1998- 2010	4.50-5.13	150,000	122,940
2/29/96	1999-2011	4.00-4.90	170,000	139,335
6/20/96	1999-2011	5.00-5.25	150,000	123,445
10/24/96	2000-2012	5.00	170,000	150,510
3/13/97	2000-2012	5.00	240,000	212,225
8/14/97	2001-2013	4.75-5.00	250,000	235,885
3/5/98	2001-2013	4.50-5.00	250,000	235,885
7/28/98	2002-2014	5.00-5.25	250,000	250,000
3/11/99	2002-2014	4.00-4.50	225,000	225,000
7/29/99	2003-2015	4.25-5.25	125,000	125,000
8/3/00	2004-2016	5.13-5.75	200,000	200,000
3/8/01	2004-2016	4.00-5.50	200,000	200,000
			<u>\$4,645,410</u>	<u>\$3,450,900</u>

(a) Includes refunding debt

General obligation bonds authorized but unissued as of June 30, 2001, total \$1,473,258,000.

As of June 30, 2001, general obligation debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Total	Years Ending June 30,	Total
2002 .....	\$491,879	2009 .....	327,628
2003 .....	480,683	2010 .....	287,924
2004 .....	468,220	2011 .....	251,233
2005 .....	449,766	2012 .....	201,668
2006 .....	425,692	2013 .....	157,976
2007 .....	393,377	2014 .....	105,019
2008 .....	355,943	2015 .....	55,626
		2016 .....	42,846

On July 26, 2001, general obligation bonds aggregating \$200,000,000 were issued. The interest rates on this issue range from 5.0% to 5.5% and the bonds mature serially through 2016.

*Transportation Bonds -*

Transportation Bonds outstanding as of June 30, 2001, are as follows (amounts expressed in thousands).

	Outstanding
Consolidated Transportation Bonds — 4.0% to 6.4%, due serially through 2014 .....	\$268,700
Consolidated Transportation Bonds, Refunding - 4.0% to 5.5%, due serially through 2006.....	379,350
County Transportation Bonds — 5.6% to 6.2%, due serially through 2006 .....	4,460
Total.....	\$652,510

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$1,200,000,000. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2001, was \$823,000,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2001, was \$652,510,000. Consolidated Transportation Bonds are paid from the transportation debt service fund. Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute and a portion of the corporate income tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses, for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (ii) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

County Transportation Bonds are issued by the Department, and the proceeds are used by participating counties and Baltimore City to fund local road construction, reconstruction and other transportation projects and facilities, and to provide local participating funds for federally-aided highway projects. Debt service on these bonds is payable from the counties' and Baltimore City's shares of highway user revenues.

Legislation was enacted during the 1993 session of the General Assembly that established an alternative County transportation bond program. This new legislation provides features similar to the previous program except that the County transportation debt will be the obligation of the participating counties rather than the Department.

As of June 30, 2001, the Department had no defeased debt outstanding.

As of June 30, 2001, Department bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30	Consolidated Transportation Bonds	County Transportation Bonds	Total Transportation Bond Debt Service Requirements
2002.....	\$113,178	\$878	\$114,056
2003 .....	119,846	886	120,732
2004 .....	122,625	885	123,510
2005 .....	127,060	891	127,951
2006 .....	91,849	888	92,737
2007 .....	52,686	892	53,578
2008 .....	38,687		38,687
2009 .....	29,837		29,837
2010 .....	25,173		25,173
2011 .....	14,555		14,555
2012 .....	15,398		15,398
2013 .....	9,560		9,560
2014.....	9,819		9,819
2015.....	10,030		10,030

*Maryland Transportation Authority Bonds -*

Bonds outstanding as of June 30, 2001, are as follows (amounts expressed in thousands).

Series 1991 Revenue bonds, maturing in annual installments from \$6,765 to \$9,380 from July 1, 2001, to July 1, 2006, with interest rates ranging from 6.2% to 6.5%, payable semiannually .....	\$ 33,165
Series 1992 Revenue bonds, current interest serial bonds, maturing in annual installments from \$6,485 to \$14,570 from July 1, 2001, to July 1, 2013, with interest rates ranging from 5.3% to 5.8%, payable semiannually.....	66,060
Series 1992 Capital Appreciation Revenue bonds maturing in annual installments of original principal and an accreted amount ranging from \$3,000 to \$15,420 from July 1, 2004, to July 1, 2015, with approximate yield to maturity of 6.0% to 6.4% .....	70,386
Series 1992 Current interest term Revenue bonds with interest payable semiannually at 5.8%, due July 1, 2015 .....	27,020
Series 1998 Revenue Refunding Bonds maturing in annual installments ranging from \$195 to \$9,510 from July 1, 2001 to July 1, 2006 with interest rates ranging from 4.2% to 5.0%, payable semiannually .....	16,015
Series 1994, Special Obligation Revenue bonds maturing in annual installments from \$4,240 to \$8,980 from July 1, 2001 to June 30, 2020, with interest rates ranging from 5.5% to 6.3% payable semiannually .....	87,930
<b>Total .....</b>	<b>\$300,576</b>

The Maryland Transportation Authority (Authority) has issued Transportation Facilities Projects Revenue Bonds, Series 1991 and 1992, which are payable solely from the revenues of the transportation facilities projects.

The Series 1991 Revenue Bonds, the bonds maturing after July 1, 2001, are subject to redemption, at the Authority's option on or after July 1, 2001. The redemption prices range from 100% to 102% of the principal amount. The debt service reserve requirement for the 1991 Revenue Bonds, in the amount of \$9,990,000, has been satisfied through a surety bond.

With respect to the 1992 Revenue Bonds, \$13,130,000 of the current interest term bonds stated to mature on July 1, 2015, are subject to mandatory sinking fund redemption on July 1, 2014, at a redemption price equal to the principal amount, plus accrued interest. The debt service reserve requirement for these bonds, in the amount \$23,325,000, has been satisfied through the deposit of cash with the trustee and is included in the debt service fund on the balance sheet. The current interest serial bonds stated to mature on July 1, 2013, and the balance of the current interest term bonds stated to mature on July 1, 2015, are subject to redemption at the option of the Authority on or after July 1, 2002, without premium. The capital appreciation bonds are not subject to early redemption. Capital appreciation bonds payable as of June 30, 2001, include an accreted amount of \$29,492,000.

The Special Obligation Revenue Bonds are payable as to principal and interest solely from Passenger Facility Charges (PFCs) received by the Maryland Aviation Administration (MAA) and deposited with the Trustee (Signet Trust Company) and amounts deposited in the general account maintained by the Authority under the Trust Agreement. The Series 1994 Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from PFCs.

In July 2000, the Authority made \$5,570,000 in principal redemption payments in excess of the required payments for the Special Obligation Revenue Bonds which completed the redemption payments for Series 1994 Bonds.

As of June 30, 2001, Maryland Transportation Authority Bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Total	Years Ending June 30,	Total
2002 .....	\$31,142	2010 .....	\$27,231
2003 .....	31,166	2011 .....	27,232
2004 .....	35,949	2012 .....	27,233
2005 .....	37,141	2013 .....	27,230
2006 .....	37,174	2014 .....	27,237
2007 .....	37,214	2015 .....	27,230
2008 .....	27,237	2016 .....	17,688
2009 .....	27,228		

*Obligations Under Capital Leases -*

Obligations under capital leases as of June 30, 2001, bore interest at annual rates ranging from 3.4% to 7.7%. Capital Lease Obligations with third parties in fiscal year 2001 increased by \$70,793,000 of which \$33,582,000 was for master equipment leases entered into by the general fund and \$37,211,000 for Department of Transportation and Maryland Transportation Authority airport facilities and construction projects. The capital leases with component units include capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain Lottery games, and capital leases with the Maryland Environmental Service. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2001 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with	
	Third Parties	Component Units
2002 .....	\$ 45,629	\$28,316
2003 .....	42,537	28,132
2004 .....	37,423	28,858
2005 .....	31,725	27,612
2006 .....	27,561	28,327
2007 and thereafter .....	179,115	390,240
Total future minimum payments.....	363,990	531,485
Less: Amount representing interest .....	127,133	233,013
Present value of net minimum payments .....	\$236,857	\$298,472

*B. Long Term Obligations - Enterprise Funds -*

The enterprise fund long-term obligations as of June 30, 2001, consist of the following (amounts expressed in thousands).

Community Development Administration Revenue Bonds.....	\$2,640,052
Maryland Water Quality Financing Administration Revenue Bonds .....	120,923
Total Revenue Bonds.....	2,760,975
Maryland State Lottery Agency Notes Payable .....	742
Accrued Self-Insurance Costs .....	715
Accrued Annual Leave .....	1,644
Maryland State Lottery Agency Obligations Under Capital Leases.....	2,579
Total long-term obligations .....	\$2,766,655

Maturities of enterprise funds notes payable, revenue bond, and capital lease principal are as follows (amounts expressed in thousands).

Years Ending June 30,	Community Development Administration	Maryland Water Quality Financing Administration	Maryland State Lottery Notes Payable	Maryland State Lottery Capital Lease
2002 .....	\$ 109,515	\$ 8,665	\$ 742	\$ 603
2003 .....	62,840	6,619		673
2004 .....	69,370	6,535		729
2005 .....	72,600	5,816		556
2006 .....	71,830	5,648		18
2007 and thereafter .....	2,253,897	87,640		
	\$2,640,052	\$ 120,923	\$742	\$2,579

*Community Development Administration (Administration) - Revenue Bonds:*

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. Assets aggregating approximately \$3,004,743,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 3.2% to 10.4%, with the bonds maturing serially through July, 2042. The principal amount outstanding as of June 30, 2001, is \$2,640,052,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 102% of the outstanding principal amount. During fiscal year 2001, the Administration issued \$471,930,000 of revenue bonds with interest rates ranging from 3.2% to 6.1% and maturing serially through July, 2042.

Subsequent to June 30, 2001, the Administration issued and redeemed a total of \$29,645,000 and \$26,435,000, respectively, of revenue bonds.

*Maryland Water Quality Financing Administration (Administration) - Revenue Bonds -*

The Administration, an agency of the Department of Environment, has issued revenue bonds for making loans. Interest rates range from 4.4% to 6.9% with principal of \$100,373,000 due serially from September 1, 2001 to September 1, 2014, and term bonds with an aggregate principal of \$20,550,000 due from September 1, 2013 to 2015. These bonds are payable solely from the revenue, money or property of the Administration. The bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at premiums ranging up to 2.5% of the outstanding principal amount.

As of June 30, 2001, the Administration had \$16,475,000 of debt defeased. The loss of \$2,754,000 from the defeasance is being deferred and amortized through interest expense through the year 2011.

*Maryland State Lottery Agency (Lottery) - Notes Payable -*

As of June 30, 2001, the Lottery had notes payable outstanding related to the financing of certain gaming equipment. The balance outstanding as of June 30, 2001, is \$742,000. Payments of principal and interest, at rates ranging from 4.5% to 6.7%, are to be made through 2002.

*C. Long Term Obligations - Component Units:*

*Higher Education Fund -*

Certain State higher education institutions have issued revenue bonds and mortgage loans payable for the acquisition and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. The mortgage loans payable are collateralized by real estate. Interest rates range from 4.3% to 7.2% on the revenue bonds with the rate being 3.0% on the mortgage loans payable. Since June 1992, the University System of Maryland (System) has issued serial Notes Payable to finance the acquisition of new equipment and to refinance the balance of amounts due under certain installment purchase agreements for equipment then in the possession of the System. Payments of principal and interest, at rates ranging from 2.6% to 6.2%, are to be made semiannually through 2007. The Notes Payable are callable, at the option of the System, at premiums of no more than 2.0% of the outstanding principal, beginning in 2003. Maturities of principal are as follows (amounts expressed in thousands).

Years Ending June 30,	Notes Payable and Other Long-Term Debt	Revenue Bonds	Total
2002 .....	\$ 2,495	\$ 41,423	\$ 43,918
2003 .....	2,636	42,264	44,900
2004 .....	2,972	43,086	46,058
2005 .....	3,281	42,178	45,459
2006 .....	2,946	46,078	49,024
2007 and thereafter .....	60,535	567,827	628,362
	<u>\$74,865</u>	<u>\$782,856</u>	<u>\$ 857,721</u>

On October 30, 2000, the System issued \$17,800,000 of variable rate demand Certificates of Participation to finance the construction of an addition to the School of Business at the University of Maryland, College Park. Payments of principal will be made annually on June 1 beginning in the year 2003 and ending June 1, 2015. Interest is payable semiannually on December 1 and June 1.

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

On July 15, 2000, St. Mary's College of Maryland issued \$11,245,000 of Academic Fees and Auxiliary Facility Fees Revenue Bonds, 2000 Series A. Proceeds of the bonds will be used to pay for the construction of a new student housing facility, renovation of an addition to the existing gymnasium and the issuance costs of the Revenue bonds. The 2000 Series A bonds consist of a combination of serial and term bonds with stated interest rates from 5.1% to 5.6% and annual maturities from September 2002 through September 2030, and were issued at a \$6,000 premium.

On July 20, 2000, the System issued \$90,000,000 of University System of Maryland Auxiliary Facility and Tuition 2000 Series A Revenue Bonds. The 2000 Series A bonds consist of serial bonds maturing through the year ended June 30, 2020, with stated rates of interest of 4.5% to 5.8% and were issued at an aggregate premium of \$ 205,000.

On June 11, 2001, the System issued \$75,000,000 of the University System of Maryland Auxiliary Facility and Tuition 2001 Series A Revenue Bonds. The 2001 Series A bonds consist of serial bonds maturing through the year ended June 30, 2021, with stated rates of interest of 3.8% to 5.0% and were issued at a discount of \$437,000.

At June 30, 2001, cash and cash equivalents in the amount of \$81,258,000 were held by the trustee as unexpended proceeds of the Revenue Bonds.

On November 13, 2001, the System issued \$58,390,000 of University System of Maryland Auxiliary Facility and Tuition Revenue Bonds Revenue bonds, 2001 Series B bonds. The 2001 Series B bonds consist of serial bonds maturing through the year ended June 30, 2022, with the stated rates of interest from 3.5% to 4.6%, and were issued at an aggregate premium of \$199,000. Of the proceeds of the 2001 Series B, approximately \$30,485,000 will be used to fund new construction and renovation projects, while \$28,433,000 will be used to advance refund an aggregate of \$26,620,000 of outstanding principal of the 1992 Series A, 1993 Series A, and 1996 Series A revenue bonds.

Obligations under capital leases of \$9,225,000 exist as of June 30, 2001, bearing interest at annual rates ranging from 4.6% to 6.8%. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2001 (amounts expressed in thousands).

Years Ending June 30,	Amount
2002.....	\$ 1,885
2003.....	1,689
2004.....	1,425
2005.....	915
2006.....	714
2007 and thereafter.....	7,424
Total future minimum payments.....	\$ 14,052
Less: Amount representing interest.....	4,827
Present value of net minimum payments.....	\$ 9,225

*Proprietary Fund Type -*

Maturities of component unit - proprietary fund type revenue bond principal and notes payable are as follows (amounts expressed in thousands).

Years Ending June 30,	Maryland Stadium Authority	Maryland Environmental Service	Maryland Food Center Authority	Total
2002.....	\$ 7,980	\$ 3,088	\$129	\$ 11,197
2003.....	8,440	3,079	196	11,715
2004.....	9,815	2,985		12,800
2005.....	9,575	2,959		12,534
2006.....	10,655	2,912		13,567
2007 and thereafter.....	239,397	18,898		258,295
	\$285,862	\$33,921	\$325	\$320,108

*Maryland Stadium Authority (Authority) - Revenue Bonds -*

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, and convention center expansions in Baltimore City and the Town of Ocean City. The outstanding debt is to be repaid through capital lease payments from the State of Maryland, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2001, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium.....	\$135,607	6.5% to 7.6%	December 15, 2020
Football Stadium.....	87,935	4.7% to 5.8%	March 1, 2026
Baltimore City Convention Center.....	46,915	5.3% to 5.9%	December 15, 2014
Ocean City Convention Center.....	15,405	4.8% to 5.4%	December 15, 2015

During 1993, the Authority entered into an interest rate swap agreement, a forward bond purchase agreement and a remarketing agreement for the refunding of \$121,380,000 of 7.3% fixed rate Series 1989D Bonds. The Authority agreed to retire the fixed rate debt and issue variable rate debt by December 1998. During April 1996, the Authority received approximately \$13,079,000, related to the interest rate swap and forward bond purchase agreement. The Authority deferred this gain and is amortizing it over the life of the related debt agreements. On December 9, 1999, in accordance with the above agreements, the Authority issued taxable floating rate bonds, Series 1999, to refinance the Series 1989D Bonds. Under terms of the interest swap agreement, there was no change in the Authority's debt service payments. As a result \$121,380,000 of the Series 1989 D bonds are considered defeased and the liability for those bonds has been removed from lease revenue bonds payable.

*Maryland Environmental Service (Service)- Revenue Bonds -*

The Service has issued revenue bonds and other debt for the construction of certain projects. The balance as of June 30, 2001, is \$33,921,000. The debt bears interest at rates ranging from 3.3% to 7.5%. The bonds are collateralized by the revenues of the related projects. All rights, title and interest in the related property, plant and equipment remains with the Service until expiration or completion of the project and repayment of the revenue bonds. Thereafter, title to the assets passes to the governmental unit served by the projects.

On March 1, 1999, the Service issued \$11,555,000 in Regional Landfill Project Revenue Bonds, 1999 Series Bonds, with interest rates of 3.5% to 4.2%. A portion of the proceeds were used to advance refund \$5,430,000 of the outstanding Regional Landfill Project Revenue Bonds, 1990 Series with interest rates of 5.9% to 6.9%. Proceeds of \$5,686,000 from the Series 1999 Bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the Series 1990 Bonds being advanced refunded and which were subsequently paid in March 2000. As a result, \$5,430,000 of the Series 1990 Bonds were considered to be defeased, and the liability for those bonds was removed from revenue bonds and notes payable.

On July 1, 2000, the Service issued \$6,385,000 in Cecil County Landfill Project Revenue Bonds Series 2000 with interest rate of 4.8% to 5.5%. These bonds constitute special obligations of the Service payable solely from revenues from the project pledged by bond indenture.

*Maryland Food Center Authority (Authority) - Revenue Bonds -*

As of June 30, 2001, the Authority had revenue bonds outstanding of \$325,000, which bear interest at the rate of 7.0% and mature June 15, 2003.

**10. Loans from Primary Government:**

*Component Units – Maryland Pre-Paid College Trust (Trust) -*

Prior to 2001, the Trust received loans from the Maryland Higher Education Commission (MHEC) totaling \$650,000, of which \$30,000 has been repaid. The loans are non-interest bearing. During the 2000 legislative session, the General Assembly included a provision in the annual budget bill which permits the Trust to delay its outstanding loan repayments until the Trust is financially self-sufficient.

*Component Units - Maryland Food Center Authority (Authority) -*

The State lent the Authority \$4,000,000, which the Authority is obligated to repay after all principal and interest has been paid on any revenue bonds which may be issued by the Authority. The loan accrued interest until June 30, 1993. The outstanding balance as of June 30, 2001, including deferred interest of \$1,577,000, was \$5,577,000.

The Authority assumed a non-interest bearing obligation in the amount of \$795,000 due to the debt service fund of the primary government pursuant to the transfer of the assets and obligations of the New Marsh Market to the Authority. The Authority is obligated to repay the debt service fund after all principal and interest has been paid on any revenue bonds which may be issued by the Authority. The outstanding principal as of June 30, 2001, is \$795,000.

**11. Insurance:**

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for injured workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4.0% discount rate. The workers' compensation and property and casualty costs are based upon separately determined actuarial valuations for the fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 2001 were as follows (amounts expressed in thousands).

	Beginning-of Fiscal-Year Liability	Claims and Changes in Estimates	Claim Payments	End-of Fiscal-Year Liability
Property, Casualty and General Liability .....	\$ 8,676	\$ 8,902	\$ 8,269	\$ 9,309
Workers' Compensation.....	172,000	57,152	42,831	186,321
Employee Health Benefits.....	44,041	441,762	434,142	51,661
Total Self-Insurance Costs.....	\$224,717	\$507,816	\$485,242	\$247,291

As of June 30, 2001, the Program held \$157,717,000, in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2000 were as follows (amounts expressed in thousands).

	Beginning-of Fiscal-Year Liability	Claims and Changes in Estimates	Claim Payments	End-of Fiscal-Year Liability
Property, Casualty and General Liability .....	\$ 8,626	\$ 6,241	\$ 6,191	\$ 8,676
Workers' Compensation.....	159,000	47,020	34,020	172,000
Employee Health Benefits.....	39,315	360,990	356,264	44,041
Total Self-Insurance Costs.....	\$206,941	\$414,251	\$396,475	\$224,717

## 12. Equity:

### *Fund Balances/Retained Earnings -*

Fund balances and retained earnings are reserved as follows (amounts expressed in thousands).

	Governmental Fund Types				Fiduciary	Component Units	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	Higher Education	Proprietary Fund Types
Loans and Notes Receivable .....	\$ 2,520	\$ 11,252	\$18,987				
Loans to Component Units .....			6,372				
State Reserve Fund .....	1,029,968						
Encumbrances .....	306,208	84,912		\$409,953		\$ 3,370	
Agency Activities .....	128,613	24,274					\$ 5,509
Shore Erosion Loan Program .....				10,680			
Pension Benefits.....					\$29,551,136		
Deferred Compensation Benefits.....					1,632,525		
Unemployment Compensation Benefits .....					992,508		
Local Government Investment Pool .....					1,032,586		
Higher Education Programs .....						113,715	
Endowment Funds.....						233,394	
Debt and Plant Additions .....						181,635	
Total reserved fund balance/retained earnings....	\$1,467,309	\$120,438	\$25,359	\$420,633	\$33,208,755	\$ 532,114	\$ 5,509

Loans receivable maturing after June 30, 2001, in the amount of \$2,520,000, \$11,252,000 and \$18,987,000 are not available for current operations and, accordingly, have been reflected as reservations of the general, special revenue and debt service fund balance.

Portions of the general fund balance and the special revenue fund balance, in the amounts of \$128,613,000 and \$24,274,000 respectively, as of June 30, 2001, representing special budgetary and non-budgeted agency resources, were reserved for agency activities and programs.

A portion of the general fund balance, in the amount of \$1,029,968,000 as of June 30, 2001, has been reserved for the State Reserve Fund. The State Reserve Fund is comprised of a Dedicated Purpose Account, an Economic Development Opportunities Program Fund, a Catastrophic Event Fund, a Revenue Stabilization Account and a Joseph Fund with balances as of June 30, 2001, of \$115,654,000, \$13,840,000, \$1,728,000, \$888,126,000, and \$10,620,000 respectively. The Dedicated Purpose Account is designed to retain appropriations for major multi-year expenditures and to meet contingency requirements. The Economic Development Opportunities Program Fund is to be used for extraordinary economic development opportunities and only as a supplement to existing programs. The Catastrophic Event Fund is to be used to respond without undue delay to a natural disaster or other catastrophic event that cannot be managed without appropriations. The Revenue Stabilization Account is designed to retain State revenues for future needs and reduce the need for future tax increases. The purpose of the Joseph Fund is to set aside reserves in time of economic prosperity to meet the emerging needs of economically disadvantaged citizens of the State.

A portion of the general fund unreserved fund balance is designated for fiscal year 2001 appropriations in the amount of \$347,324,000. Furthermore, portions of the debt service unreserved fund balance are designated for payment of the debt service on the general long-term debt, Transportation debt and the Maryland Transportation Authority bond debt in the amounts of \$18,271,000, \$3,842,000, and \$95,014,000 respectively.

### *Primary Government Contributed Capital -*

The changes in contributed capital of the enterprise funds for the year ended June 30, 2001, are as follows (amounts expressed in thousands).

	Economic Development			
	Insurance Programs	Loan Programs	State Use Industries	Total
Balance, July 1, 2000.....	\$48,295	\$732,806	\$ 874	\$781,975
Contributions .....	(1,500)	45,375	710	44,585
Depreciation on contributed assets .....			(179)	(179)
Balance, June 30, 2001.....	\$46,795	\$778,181	\$1,405	\$826,381

*Component Units - Proprietary Type Funds -*

The changes in contributed capital of the component units, proprietary fund type for the year ended June 30, 2001, are as follows (amounts expressed in thousands).

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Total
Balance, July 1, 2000.....	\$2,207	\$23,750	\$376	\$26,333
Contributions .....		1,500		1,500
Depreciation on contributed assets .....	(230)		(13)	(243)
Balance, June 30, 2001.....	\$1,977	\$25,250	\$363	\$27,590

**13. Interfund Transfers:**

Interfund transfers, as of June 30, 2001, consist of the following (amounts expressed in thousands).

Operating Transfers In	Operating Transfers Out	Amount
General Fund	Special Revenue Fund-Maryland Department of Transportation	\$ 69,708
	Capital Projects Fund	8,258
	Enterprise Funds -	
	Maryland State Lottery Agency	407,045
	Economic Development-Insurance Programs	2,678
	Economic Development-Loan Programs	3,889
	Component Units-	
	Maryland Stadium Authority	2,400
	Higher Education	312
	Maryland Industrial Development Financing Authority	707
		<u>\$ 494,997</u>
Special Revenue Fund -	General Fund	\$ 176,690
Maryland Department of Transportation	Special Revenue Fund-Maryland Department of Transportation	45,137
Maryland Transportation Authority		<u>\$ 221,827</u>
Debt Service Funds -	General Fund	\$ 204,291
General Obligation Bonds	Capital Projects Fund	6,694
Maryland Department of Transportation	Special Revenue Fund-Maryland Department of Transportation	109,998
Maryland Transportation Authority	Special Revenue Fund-Maryland Department of Transportation	31,629
	Special Revenue Fund-Maryland Transportation Authority	19,980
		<u>\$ 372,592</u>
Capital Projects Fund	General Fund	\$ 558,665
	Debt Service Fund - General Obligation Bonds	84
		<u>\$ 558,749</u>
Enterprise Funds -	General Fund	\$ 67,688
Loan Programs	Capital Projects Fund	4,044
		<u>\$ 71,732</u>
Component Units-	General Fund	\$ 886,543
Higher Education	Capital Projects Fund	121,589
		<u>\$1,008,132</u>
Component Units - Proprietary	General Fund	\$ 30,522
Maryland Stadium Authority	General Fund	2,500
Maryland Industrial Development Financing Authority	Economic Development - Insurance Programs	1,433
	Economic Development - Loan Programs	1,152
Maryland Prepaid College Trust	General Fund	370
		<u>\$ 35,977</u>

#### 14. Segment Information:

Activity segments included in enterprise funds are described in Note 1B. Selected financial information with respect to these segments as of and for the year ended June 30, 2001, is as follows (amounts expressed in thousands).

	Segments				Total
	Insurance Programs	Loan Program	Lottery	Manufacturing (State Use Industries)	
Operating revenues .....	\$ 13,004	\$ 257,479	\$1,210,616	\$ 38,019	\$1,519,118
Depreciation and amortization .....	7	1,196	1,247	1,139	3,589
Operating income .....	8,950	42,109	413,172	1,335	465,566
Operating interfund transfers:					
In .....		71,732			71,732
Out .....	(4,111)	(5,041)	(407,045)		(416,197)
Net income .....	4,839	94,871	5,916	1,338	106,964
Current capital contributions.....	(1,500)	45,375		710	44,585
Property, plant, and equipment:					
Additions .....			868	1,474	2,342
Deletions .....				8	8
Total assets.....	114,107	4,310,191	442,255	26,195	4,892,748
Bonds and other long-term liabilities payable from operating revenues.....		2,760,975			2,760,975
Total capital .....	77,898	1,432,104	12,460	23,177	1,545,639
Net working capital .....	77,027	1,413,817	364,833	18,294	1,873,971

#### 15. Retirement Benefits:

##### *State Retirement and Pension System of Maryland (System):*

The State contributes to the System, an agent multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Mass Transit Administration Pension Plan described below) and employees of 127 participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained, from the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202.

##### *Plan Description:*

The System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of several plans which are managed by the Board of Trustees for the System. All State employees and employees of participating entities are covered by the plans.

"Retirement System" - retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

"Pension System" - retirement programs for employees and teachers hired after January 1, 1980, and prior employees who have elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completion of 5 years of service. A member terminating employment before attaining retirement age but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member lives to age 60 (age 62 for the Pension System, age 50 for State Police) and does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age 62 or after completing 30 years of Service Credit, regardless of age. State Police members may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System Members is equal to 1/55 (1.8%) of the member's highest three-year average salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. Legislation enacted during the 1998 legislative session changed certain provisions of the Pension Systems and provided for a Contributory Pension System and a Non-Contributory Pension System. A member of the Contributory Pension System will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-

consecutive year average salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.4% of the highest three consecutive year average salary multiplied by the number of years of service credit after July 1, 1998. The annual benefit for a Non-Contributory Pension System member is equal to 0.8% of the member's highest three-consecutive year average salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Wage base. A member of either type of Pension System may retire with reduced benefits after attaining age 55 and completing 15 years of service.

The annual retirement allowance for a State Police member is equal to 2.6% of the member's highest three-year average salary multiplied by each year of service up to a maximum of 28 years. The annual retirement allowance for a member of the Law Enforcement Officers Pension System is 2.0% of the member's highest three-consecutive year average salary multiplied by each year of service up to a maximum of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement. Recent legislation and Internal Revenue Service approval has created a Deferred Retirement Option Program (DROP) for members of the State Police and Law Enforcement Officers System. This program allows for a member to retire from the system, accrue retirement earnings (which is held in a separate account) and continue employment until a pre-determined date.

*Funding Policy:*

The State's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7.0% or 5.0% depending on the retirement plan selected). Members of the Contributory Pension System are required to contribute to the System 2.0% of their regular salaries and wages. Members of the Non-Contributory Pension System are required to contribute to the System 5.0% of their regular salaries and wages which exceed the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 4.0% of their regular salaries and wages. All contributions are deducted from each member's salary, and wage payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the Board of Trustees for the System. During fiscal year 2001, the State made the required contribution totaling \$ 598,689,000, which was 9.3% of covered payroll. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2001, 2000 and 1999, the State had made all required contributions, and thus as of June 30, 2001, 2000 and 1999, the State did not have a net pension obligation.

*Annual Pension Cost and Net Pension Obligation:*

Three Year Historical Trend Information for the System is as follows (amounts expressed in thousands).

Plan	Annual Pension Cost Fiscal Year Ended June 30,		
	2001	2000	1999
Teachers' Retirement and Pension System.....	\$403,423	\$435,434	\$460,592
Employees' Retirement and Pension System.....	161,656	182,650	162,410
State Police Retirement System.....	6,891	1,075	8,270
Judges' Retirement System.....	14,575	14,730	15,216
Law Enforcement Officers Pension System.....	12,144	10,543	8,360

Percentage of Annual Pension Cost Contributed

The State contributed 100% of the annual pension cost for each of the fiscal years ended June 30, 2001, 2000 and 1999, for each of the five plans listed above.

### Net Pension Obligation

The State's net pension obligation was zero as of June 30, 2001, 2000 and 1999, for each of the five plans listed. In addition, there was no transition liability determined in accordance with GASB Statement No. 27.

The fiscal year 2001 annual pension cost and net pension obligations were determined as a part of an actuarial valuation as of June 30, 2001. The significant actuarial assumptions listed below were used for all plans.

Valuation method.....	Entry Age Normal Cost Method
Cost method of valuing assets.....	Smoothing (difference in experienced and assumed return)
Rate of return on investments.....	8.0%
Rate of salary increase.....	Varies
Projected inflation rate.....	5.0%
Post retirement benefit increase.....	Varies
Amortization method.....	Level Percent of Payroll
Remaining amortization period.....	19 years as of June 30, 2001 for prior UAAL
New layer as of June 30, 2001.....	25 years as of June 30, 2001 for new UAAL
Status of period (Open or Closed).....	Closed

#### *Mass Transit Administration Pension Plan (Plan):*

The Plan is a single employer non-contributory plan, which covers all Mass Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. For the year ended June 30, 2001, the Administration's covered and total payroll was \$ 110,248,000. The Plan is administered and funded in compliance with the collective bargaining agreements, which established the Plan. Separate statements for the Plan are not issued.

#### *Plan Description:*

The Plan provides retirement (normal and early), death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.3% of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service.

As of June 30, 2001, membership in the Plan includes 1,013 retirees and beneficiaries currently receiving benefits, 374 terminated members entitled to, but not yet receiving benefits and 2,659 current active members.

There were no investments in loans to or leases with parties related to the Plan. In addition, no investment in any one organization constituted 5.0% or more of the net plan assets available for pension benefits.

#### *Funding Policy:*

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

Employer contributions to the Plan totaling \$ 14,820,000 (13.4% of covered payroll) for fiscal year 2001 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2000. This amount consisted of \$ 2,490,000 normal cost and \$ 12,330,000 amortization of the actuarial accrued liability (2.2 % and 11.2%, respectively, of covered payroll).

The liquidation period for the actuarial accrued liabilities (as provided by law) is 18 years from June 30, 2001. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations.

The computation of the annual required contribution for fiscal year 2001 was based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in the previous year.

#### *Annual Pension Cost and Net Pension Obligation:*

The Administration's annual pension cost for the fiscal years ending June 30, 2001, 2000, and 1999 were \$14,820,000, \$13,721,000 and \$13,103,000, respectively.

The Administration contributed 100% of the annual pension cost for each of the fiscal years ended June 30, 2001, 2000 and 1999 for the Plan.

The Administration's net pension obligation was zero as of June 30, 2001, 2000 and 1999 for the Plan.

The fiscal year 2001 annual pension cost and net pension obligations were determined as a part of an actuarial valuation as of June 30, 2001. The significant actuarial assumptions listed below were used for the Plan.

Valuation method.....	Entry Age Normal Cost Method
Cost method of valuing assets.....	Fair Value
Rate of return on investments.....	8.00% Compounded per Annum
Projected inflation rate.....	5%
Rate of salary increase.....	3.00% Compounded per Annum
Amortization method.....	Level dollar annual installments
Remaining amortization period.....	18 years from July 1, 2001
Status of period (Open or Closed).....	Closed

During fiscal year 2001, there were no changes in actuarial assumptions or benefit provisions from 2000 that significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

*Summary of Significant Accounting Policies:*

As a part of the Pension Trust Fund, the accounts of both the System and the Plan, including benefits and refunds, are maintained using the accrual basis of accounting. Fair value of the investments is determined by the State Retirement and Pension System of Maryland based on published securities data, quotations from national security exchanges and security pricing services, or by respective fund managers for securities which are not actively traded. Other investments are valued based on appraisals or the present value of the projected future income.

*Post Retirement Benefits:*

The State also provides, in accordance with State Merit System Laws, post employment health care benefits to retired employees and their dependents (generally employees who retired before July 1, 1984, employees who retired on or after July 1, 1984, with at least 5 years of creditable service and employees who receive disability retirement allowances or special death benefits). The State subsidizes approximately 50% to 90% of covered medical and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for post employment health care benefits, which is based on health care insurance charges for current employees. During fiscal year 2001, these benefits paid amounted to \$95,447,000. Costs are recognized as they are paid. There are 29,792 participants currently receiving benefits.

**16. Deferred Compensation Plan (Plan):**

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provisions, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plans during the same plan year. For each fiscal year of the State beginning after June 30, 1999, the maximum amount contributed to this plan for each participant is \$600. A participant may receive more than \$600 in matching contributions during a plan year, but may not exceed the maximum \$600 contribution for any State fiscal year. An employee's interest in his/her account is fully vested at all times. The State's contribution for the plan year ending December 31, 2000, was \$19,917,000.

**17. Commitments:**

The State leases office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 2001 were approximately \$45,511,000. Future lease commitments under these agreements as of June 30, 2001, are as follows (amounts expressed in thousands).

Years Ending June 30,	Amounts
2002 .....	\$ 40,889
2003 .....	34,478
2004 .....	28,793
2005 .....	25,535
2006 .....	20,201
2007 and thereafter .....	57,905
	<hr/> \$207,801

As of June 30, 2001, the State had commitments of approximately \$196,982,000 and \$10,344,000 for the completion of projects under construction, and for service contracts.

As of June 30, 2001, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$1,826,007,000 and \$86,000,000 respectively, for construction of highway and mass transit facilities.

Approximately 41% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various operating leases. Minimum future rental revenues are as follows (amounts expressed in thousands).

Years Ending June 30,	Non-cancelable Operating Leases Minimum Future Rentals
2002 .....	\$ 63,134
2003 .....	35,073
2004 .....	28,425
2005 .....	26,847
2006 .....	18,716
2007 and thereafter .....	33,228
	\$205,423

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$121,801,000 for the year ended June 30, 2001, including contingent rentals of approximately \$22,768,000.

As of June 30, 2001, the Maryland State Lottery Agency had commitments of approximately \$102,512,000 for services to be rendered relating principally to the operation of the lottery game.

As of June 30, 2001, several enterprise fund loan programs within the Department of Business and Economic Development had committed to lend a total of \$62,788,000 in additional loans (Maryland Economic Development Assistance Authority Fund \$22,317,000; Maryland Economic Development Opportunities Program Fund \$20,501,000; Smarth Growth Economic Development Infrastructure Fund \$18,980,000; Maryland Competitive Advantage Financing Fund \$390,000; Maryland Economic Adjustment Fund \$600,000). Also, the Community Development Administration, an enterprise fund loan program, has \$136,349,000 of revenue bonds outstanding that are not included in the financial statements of the Administration. The revenue bonds are secured solely by the individual multi-family project properties, related revenues and applicable credit enhancements.

Pursuant to legislation enacted by the Maryland General Assembly in April, 1996, the Maryland Stadium Authority is required to pay \$2,400,000 per year into the Public School Construction Fund over 10 years, beginning in fiscal year 2001. The Authority made its first installment during Fiscal Year 2001.

Certain State higher education institutions of the higher education fund, a component unit, lease facilities and equipment under agreements that are accounted for as operating leases. Many of the lease agreements provide for optional extensions and periodic increases in lease payments. Lease expenditures for fiscal year 2001 were approximately \$8,564,000. Future lease commitments under agreements as of June 30, 2001, are as follows (amount expressed in thousands).

Years Ending June 30,	Amounts
2002 .....	\$ 8,003
2003 .....	6,242
2004 .....	5,376
2005 .....	4,460
2006 .....	1,825
2007 and thereafter .....	1,444
	\$27,350

As of June 30, 2001, the higher education fund had commitments of approximately \$366,909,000 for the completion of projects under construction.

## **18. Contingencies:**

The State is party to legal proceedings which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2001, mortgage loan insurance programs included in the enterprise funds and component unit proprietary funds were contingently liable as insurer of mortgage loans payable or portions of mortgage loans payable, in an aggregate amount of approximately \$624,721,000 (including \$542,057,000 for the economic development loan programs). In addition, there are commitments to insure mortgage loans which would represent additional contingent liabilities of approximately \$11,918,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2001, the State estimates that no material liabilities will result from such audits.

In fiscal year 2000, the Baltimore Orioles initiated an arbitration proceeding pursuant to its lease with the Maryland Stadium Authority contending that it is entitled to reductions in rent or credits against future obligation by reason of an alleged lack of parity between the Orioles' Authority Agreement and the Authority's separate lease with the Ravens. This contention was disputed by the Authority in arbitration and was contested before the panel of arbitrators. On July 6, 2001, the arbitration panel issued a ruling and awarded the following relief to the Orioles: (1) The right to share in revenues from future non-baseball seating bowl events in the ballpark; (2) The requirement that the Authority make a one-time \$10,000,000 payment to the existing Ballpark Improvements Fund from which funds are expended solely for ballpark improvements with the joint approval of the Authority and the Orioles; and (3) The right to sell the name of the ballpark. The Authority intends to issue bonds in an amount sufficient to make the payment to the Ballpark Improvements Fund.

## **19. Tobacco Settlement:**

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2001 legislative session, transfers of \$137,900,000 for fiscal year 2001 were authorized from the proceeds in the Cigarette Restitution Fund.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share for fiscal year 2001 was \$141,713,000. Pursuant to an order of the Circuit Court of Maryland, a portion of the proceeds are separately disbursed by the Master Settlement Agreement Trustee to an escrow account for the joint benefit of the State of Maryland and legal counsel which pursued this claim. The funds in the escrow account are held pending disposition of a lawsuit pertaining to the percentage of the proceeds to be allocated to outside counsel. In fiscal year 2001, \$106,285,000 and \$35,428,000 were remitted to the State and escrow agent, respectively.

It is estimated that the payments made to the State pursuant to the Master Settlement thru fiscal year 2010 will total \$1.8 billion, of which a yet-to-be-determined amount will go to outside counsel. However, the actual amount paid each year will reflect adjustments for inflation and cigarette shipment volume.

## **20. Landfill Closure and Postclosure Care Costs:**

State and Federal laws require the Maryland Environmental Service (the Service) to place a final cover on the Midshore Regional Landfill (Midshore), which is expected to close in 2008, and the Easton Landfill (Easton), which is filled to capacity and in the process of being closed, and to perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. Although closure and post-closure care costs at Midshore will be paid near or after the date the landfill stops accepting waste, the Service accrues a portion of these closure and post-closure care costs as a liability based on the estimated capacity of the landfill that has been used to date, which was 60% as of June 30, 2001. The Service recognized a liability for Easton equal to the estimated total current cost of closure and post-closure care that has not been paid. A \$4,917,000 liability is included in other liabilities in the accompanying balance sheet of the Service. Total closure and post-closure care costs are currently estimated to be approximately \$8,205,000 as determined through engineering studies. Actual costs may be higher due to inflation.

Under recently promulgated federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2000. The Service expects to satisfy these requirements as of June 30, 2001, using the same criteria.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**STATE OF MARYLAND**

**Required Supplemental Schedule of Funding Progress for**

**Pension and Retirement System**

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll(1)	(Unfunded AAL) /Excess as a Percentage of Covered Payroll(2)
<b>TEACHERS RETIREMENT AND PENSION SYSTEM</b>						
2001	\$19,182,749	\$20,126,943	\$ (944,194)	95.31%	\$ 4,092,042	(23.07)%
2000	18,419,539	18,994,294	(574,755)	96.97	3,753,096	(15.31)
1999	16,634,932	18,036,251	(1,401,319)	92.23	3,576,867	(39.18)
1998	14,934,503	17,452,181	(2,517,678)	85.57	3,454,377	(72.88)
1997	13,142,495	16,292,451	(3,149,956)	80.67	3,151,218	(99.96)
1996	11,630,258	15,616,273	(3,986,015)	74.48	3,065,203	(130.04)
<b>EMPLOYEES RETIREMENT AND PENSION SYSTEM</b>						
2001	\$11,021,958	\$10,789,907	\$ 232,051	102.15%	\$ 3,146,870	7.37%
2000	10,593,917	9,907,683	686,234	106.93	2,870,990	23.90
1999	9,557,556	9,203,218	354,338	103.85	2,659,022	13.33
1998	8,621,081	8,877,652	(256,571)	97.11	2,552,880	(10.05)
1997	7,668,655	8,060,733	(392,078)	95.14	2,399,504	(16.34)
1996	6,870,504	7,690,211	(819,707)	89.34	2,474,815	(33.12)
<b>STATE POLICE RETIREMENT SYSTEM</b>						
2001	\$ 1,305,556	\$ 993,846	\$ 311,710	131.36%	\$ 80,829	385.64%
2000	1,269,418	911,273	358,145	139.30	82,610	433.54
1999	1,150,559	850,041	300,518	135.35	78,781	381.46
1998	1,033,274	739,074	294,200	139.81	70,663	416.34
1997	909,549	744,496	165,053	122.17	62,936	262.26
1996	802,943	675,097	127,846	118.94	60,823	210.19
<b>JUDGES RETIREMENT SYSTEM</b>						
2001	\$ 229,022	\$ 254,913	\$ (25,891)	89.84%	\$ 31,309	(82.70)%
2000	216,374	236,446	(20,072)	91.51	30,891	(64.98)
1999	192,909	231,394	(38,485)	83.37	30,307	(126.98)
1998	170,953	220,136	(49,183)	77.66	25,553	(192.47)
1997	149,283	213,259	(63,976)	70.00	25,007	(255.83)
1996	131,631	196,319	(64,688)	67.05	23,917	(270.47)
<b>LAW ENFORCEMENT OFFICERS' PENSION SYSTEM</b>						
2001	\$ 165,678	\$ 290,503	\$ (124,825)	57.03%	\$ 61,930	(201.56)%
2000	140,034	214,822	(74,788)	65.19	51,544	(145.10)
1999	102,040	140,677	(38,637)	72.53	37,305	(103.57)
1998	83,430	115,534	(32,104)	72.21	30,512	(105.22)
1997	44,947	60,824	(15,877)	73.90	12,905	(123.03)
1996	15,333	54,583	(39,250)	28.09	11,646	(337.03)
<b>LOCAL FIRE AND POLICE SYSTEM</b>						
2001	\$ 9,814	\$ 13,827	\$ (4,013)	70.98%	\$ 5,739	(69.93)%
2000	10,099	15,349	(5,250)	65.80	7,109	(73.85)
1999	8,583	13,799	(5,216)	62.20	6,691	(77.96)
1998	7,114	12,358	(5,244)	57.57	6,288	(83.40)
1997	5,767	11,446	(5,679)	50.38	5,815	(97.66)
1996	4,611	8,875	(4,264)	51.95	4,430	(96.25)
<b>TOTAL OF ALL PLANS</b>						
2001	\$31,914,778	\$32,469,941	\$ (555,163)	98.29%	\$ 7,418,720	(7.48)%
2000	\$30,649,381	\$30,279,867	369,514	101.22	6,796,240	5.44
1999	27,646,579	28,475,380	(828,801)	97.09	6,388,973	(12.97)
1998	24,850,355	27,416,935	(2,566,580)	90.64	6,140,273	(41.80)
1997	21,920,696	25,383,209	(3,462,513)	86.36	5,657,385	(61.20)
1996	19,455,280	24,241,358	(4,786,078)	80.26	5,640,834	(84.85)

(1) Covered payroll includes the payroll cost of those participants which the State pays the retirement contribution but does not pay the participants payroll cost.

(2) Percentage of (Unfunded AAL)/ excess assets over AAL as a percentage of covered payroll.

**STATE OF MARYLAND**

**Required Supplemental Schedule of Funding Progress for  
Mass Transit Administration Pension Plan**

(Expressed in Thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2001	\$76,700	\$203,628	\$126,928	37.7%	\$110,249	115.2%
2000	71,566	199,455	127,889	35.9	102,923	124.3
1999	60,829	181,064 (1)	120,235	33.6	104,569	115.0
1998	51,208	167,330	116,122	30.6	98,814	117.5
1997	42,739	172,076	129,337	24.8	95,333	135.7
1996	34,568	141,381	106,813	24.5	95,550	111.8
1995	24,470	137,826	113,356	17.8	92,445	122.6
1994	17,572	126,351	108,779	13.9	88,491	122.9
1993	13,447	95,032	81,585	14.1	87,134	93.6
1992	8,891	92,718	83,827	9.6	80,700	103.9

(1) Fiscal year 1999 has been restated to include changes pertaining to the Collective Bargaining Agreement.

**Required Supplemental Schedule of Employer Contributions for  
Mass Transit Administration Pension Plan**

(Expressed in Thousands)

Year Ended June, 30	Annual Required Contribution	Percentage Contributed
2001	\$14,820	100%
2000	13,721	100
1999	13,103	100
1998	13,902	100
1997	11,502	100
1996	11,918	100
1995	11,323	100
1994	8,452	100
1993	8,467	100
1992	7,327	100



**COMBINING FINANCIAL  
STATEMENTS AND SCHEDULES**

**STATE OF MARYLAND**

**Combining Balance Sheet**

**Special Revenue Funds**

**June 30, 2001**

(Expressed in Thousands)

	Maryland Department of Transportation	Maryland Transportation Authority	Total
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 1,769	\$158,123	\$159,892
Investments.....		201,249	201,249
Taxes receivable, net.....	117,315		117,315
Intergovernmental receivables.....	140,539	3,188	143,727
Other accounts receivable.....	37,135	5,318	42,453
Due from other funds.....	159,719	10,922	170,641
Loans and notes receivable, net.....	11,252		11,252
Other assets.....	40,994		40,994
<b>Total assets.....</b>	<b>\$508,723</b>	<b>\$378,800</b>	<b>\$887,523</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities.....	\$252,102	\$ 13,704	\$265,806
Due to other funds.....	27,177		27,177
Accounts payable to political subdivisions.....	65,375		65,375
Deferred revenue.....	4,545	3,225	7,770
<b>Total liabilities.....</b>	<b>349,199</b>	<b>16,929</b>	<b>366,128</b>
<b>Fund balances:</b>			
Reserved for:			
Encumbrances.....	22,525	62,387	84,912
Agency activities.....	10,164	14,110	24,274
Loans and notes receivable.....	11,252		11,252
Unreserved:			
Undesignated.....	115,583	285,374	400,957
<b>Total fund balances.....</b>	<b>159,524</b>	<b>361,871</b>	<b>521,395</b>
<b>Total liabilities and fund balances.....</b>	<b>\$508,723</b>	<b>\$378,800</b>	<b>\$887,523</b>

**STATE OF MARYLAND**  
**Combining Statement of Revenues,**  
**Expenditures, Other Sources and Uses of**  
**Financial Resources and Changes in Fund Balances**  
**Special Revenue Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Maryland Department of Transportation	Maryland Transportation Authority	Total
<b>Revenues:</b>			
Motor vehicle taxes and fees .....	\$1,577,714		\$1,577,714
Charges for services.....	365,882	\$152,378	518,260
Interest and other investment income.....	13,478	21,337	34,815
Federal revenue .....	655,871		655,871
Other .....	21,861	11,877	33,738
<b>Total revenues .....</b>	<b>2,634,806</b>	<b>185,592</b>	<b>2,820,398</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Transportation.....	943,393	127,500	1,070,893
Intergovernmental.....	548,616		548,616
Capital outlays .....	1,162,011	22,468	1,184,479
<b>Total expenditures .....</b>	<b>2,654,020</b>	<b>149,968</b>	<b>2,803,988</b>
Excess of revenues over (under) expenditures.....	(19,214)	35,624	16,410
<b>Other sources (uses) of financial resources:</b>			
Capital leases.....	37,211		37,211
Operating transfers in .....	176,690	45,137	221,827
Operating transfers out .....	(256,472)	(19,980)	(276,452)
Net other sources (uses) of financial resources .....	(42,571)	25,157	(17,414)
Excess (deficiency) of revenues over expenditures and net other uses of financial resources	(61,785)	60,781	(1,004)
Fund balances, July 1, 2000 .....	221,309	301,090	522,399
Fund balances, June 30, 2001 .....	<b>\$ 159,524</b>	<b>\$ 361,871</b>	<b>\$ 521,395</b>

STATE OF MARYLAND

Combining Balance Sheet

Debt Service Funds

June 30, 2001

(Expressed in Thousands)

	General Obligation Bonds	Transportation Bonds	Maryland Transportation Authority Bonds	Total
<b>Assets:</b>				
Cash and cash equivalents .....	\$10,179	\$2,956	\$94,868	\$108,003
Cash with fiscal agent .....	4,460	690		5,150
Investments .....		878		878
Taxes receivable, net .....	7,885			7,885
Other accounts receivable .....	207	8	146	361
Loans and notes receivable, net .....	18,987			18,987
Loans to component units .....	6,372			6,372
Total assets .....	<u>\$48,090</u>	<u>\$4,532</u>	<u>\$95,014</u>	<u>\$147,636</u>
<b>Liabilities:</b>				
Matured bonds and interest coupons payable .....	\$4,460	\$690		\$5,150
Total liabilities .....	<u>4,460</u>	<u>690</u>		<u>5,150</u>
<b>Fund balance:</b>				
Reserved for:				
Loans and notes receivable .....	18,987			18,987
Loans to component units .....	6,372			6,372
Unreserved:				
Designated for:				
General long-term obligation bond debt service .....	18,271			18,271
Transportation bond debt service .....		3,842		3,842
Maryland Transportation Authority bond debt service .....			\$95,014	95,014
Total fund balances .....	<u>43,630</u>	<u>3,842</u>	<u>95,014</u>	<u>142,486</u>
Total liabilities and fund balances .....	<u>\$48,090</u>	<u>\$4,532</u>	<u>\$95,014</u>	<u>\$147,636</u>

**STATE OF MARYLAND**  
**Combining Statement of Revenues,**  
**Expenditures, Other Sources and Uses of**  
**Financial Resources and Changes in Fund Balances**  
**Debt Service Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	General Obligation Bonds	Transportation Bonds	Maryland Transportation Authority Bonds	Total
<b>Revenues:</b>				
Other taxes .....	\$259,080			\$259,080
Interest and other investment income.....	1,220	\$ 280	\$ 1,162	2,662
Other .....	265			265
<b>Total revenues .....</b>	<b>260,565</b>	<b>280</b>	<b>1,162</b>	<b>262,007</b>
<b>Expenditures:</b>				
<b>Debt service:</b>				
Principal retirement .....	297,966	77,310	22,305	397,581
Interest.....	172,903	33,469	14,094	220,466
<b>Total expenditures.....</b>	<b>470,869</b>	<b>110,779</b>	<b>36,399</b>	<b>618,047</b>
Deficiency of revenues over expenditures .....	(210,304)	(110,499)	(35,237)	(356,040)
<b>Other sources of financial resources:</b>				
Operating transfers in .....	210,985	109,998	51,609	372,592
Operating transfers out.....	(84)			(84)
<b>Net other sources and uses of financial resources.....</b>	<b>210,901</b>	<b>109,998</b>	<b>51,609</b>	<b>372,508</b>
Excess (deficiency) of revenues over expenditures and other sources of financial resources .....	597	(501)	16,372	16,468
Fund balances, July 1, 2000.....	43,033	4,343	78,642	126,018
Fund balances, June 30, 2001.....	\$ 43,630	\$ 3,842	\$95,014	\$142,486

**STATE OF MARYLAND**

**Combining Balance Sheet**

**Enterprise Funds**

**June 30, 2001**

(Expressed in Thousands)

	Economic Development		Maryland State Lottery Agency	State Use Industries	Total
	Insurance Programs	Loan Programs			
<b>Assets:</b>					
Cash and cash equivalents .....		\$ 204,773	\$ 1,200	\$ 10	\$ 205,983
Investments.....	\$ 892	1,045,042	336,383		1,382,317
Other accounts receivable .....		53,375	20,070	3,264	76,709
Due from other funds.....	99,355	129,918	80,824	9,771	319,868
Inventories .....				7,580	7,580
Loans and notes receivable, net .....	867	2,779,255			2,780,122
Property, plant and equipment, net.....	4	7	3,736	4,883	8,630
Other assets .....	12,989	97,821	42	687	111,539
<b>Total assets.....</b>	<b>\$114,107</b>	<b>\$4,310,191</b>	<b>\$442,255</b>	<b>\$26,195</b>	<b>\$4,892,748</b>
<b>Liabilities:</b>					
Accounts payable and accrued liabilities .....	\$ 616	\$ 48,593	\$ 6,194	\$ 1,483	\$ 56,886
Due to other funds .....		8,279	61,469		69,748
Lottery prizes .....			355,367		355,367
Accrued insurance and loan losses .....	31,648	77			31,725
Other liabilities.....	940	59,651			60,591
Deferred revenue .....	2,944		2,650	543	6,137
Notes payable.....			742		742
Revenue bonds payable .....		2,760,975			2,760,975
Accrued self-insurance costs.....	61	33	191	430	715
Accrued annual leave .....		479	603	562	1,644
Obligations under capital leases.....			2,579		2,579
<b>Total liabilities .....</b>	<b>36,209</b>	<b>2,878,087</b>	<b>429,795</b>	<b>3,018</b>	<b>3,347,109</b>
<b>Capital:</b>					
Contributed capital.....	46,795	778,181		1,405	826,381
Retained earnings:					
Unreserved.....	31,103	653,923	12,460	21,772	719,258
<b>Total capital .....</b>	<b>77,898</b>	<b>1,432,104</b>	<b>12,460</b>	<b>23,177</b>	<b>1,545,639</b>
<b>Total liabilities and capital .....</b>	<b>\$114,107</b>	<b>\$4,310,191</b>	<b>\$442,255</b>	<b>\$26,195</b>	<b>\$4,892,748</b>

**STATE OF MARYLAND**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Retained Earnings**  
**Enterprise Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Economic Development		Maryland State Lottery Agency	State Use Industries	Total
	Insurance Programs	Loan Programs			
<b>Operating revenues:</b>					
Lottery ticket sales.....			\$1,210,616		\$1,210,616
Charges for services and sales .....	\$ 6,010	\$ 4,689		\$38,019	48,718
Interest and other investment income.....	6,240	237,032			243,272
Other .....	754	15,758			16,512
<b>Total operating revenues .....</b>	<b>13,004</b>	<b>257,479</b>	<b>1,210,616</b>	<b>38,019</b>	<b>1,519,118</b>
<b>Operating expenses:</b>					
Prizes and claims .....			671,196		671,196
Commissions and bonuses.....			76,944		76,944
Cost of sales and services .....				30,129	30,129
Operation and maintenance of facilities .....		10,102			10,102
General and administrative.....	620	13,404	48,057	5,416	67,497
Interest.....		158,601			158,601
Depreciation and amortization .....	7	1,196	1,247	1,139	3,589
Provision for insurance and loan losses .....	3,427	13,590			17,017
Other .....		18,477			18,477
<b>Total operating expenses .....</b>	<b>4,054</b>	<b>215,370</b>	<b>797,444</b>	<b>36,684</b>	<b>1,053,552</b>
<b>Operating income .....</b>	<b>8,950</b>	<b>42,109</b>	<b>413,172</b>	<b>1,335</b>	<b>465,566</b>
<b>Non-operating revenues (expenses):</b>					
Investment income .....		3,375			3,375
Interest expense .....			(211)		(211)
Other .....		(17,304)		3	(17,301)
<b>Income before transfers.....</b>	<b>8,950</b>	<b>28,180</b>	<b>412,961</b>	<b>1,338</b>	<b>451,429</b>
Operating transfers in .....		71,732			71,732
Operating transfers out.....	(2,678)	(3,889)	(407,045)		(413,612)
Operating transfers out to component units .....	(1,433)	(1,152)			(2,585)
<b>Net income .....</b>	<b>4,839</b>	<b>94,871</b>	<b>5,916</b>	<b>1,338</b>	<b>106,964</b>
Add: Depreciation of assets acquired from contributed capital.....				179	179
<b>Increase in retained earnings.....</b>	<b>4,839</b>	<b>94,871</b>	<b>5,916</b>	<b>1,517</b>	<b>107,143</b>
Retained earnings, July 1, 2000.....	26,264	559,052	6,544	20,255	612,115
Retained earnings, June 30, 2001.....	\$31,103	\$653,923	\$ 12,460	\$21,772	\$ 719,258

STATE OF MARYLAND

Combining Statement of Cash Flows

Enterprise Funds

for the year ended June 30, 2001

(Expressed in Thousands)

	Economic Development		Maryland State Lottery Agency	State Use Industries	Total
	Insurance Programs	Loan Programs			
Cash flows from operating activities:					
Operating income.....	\$8,950	\$ 42,109	\$413,172	\$1,335	\$465,566
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization.....	7	1,196	1,247	1,139	3,589
Effect of changes in assets and liabilities:					
Other accounts receivable.....	1	1,179	(2,711)	1,472	(59)
Due from other funds.....	(1,599)	17,168	(29,493)	(2,541)	16,465
Inventories.....				(1,153)	(1,153)
Loans and notes receivable.....	3,941	(195,882)			(191,941)
Other assets.....	(5,157)	(8,786)	2	815	(13,126)
Accounts payable and accrued liabilities.....	(241)	1,894	2,765	(425)	3,993
Due to other funds.....		7,354	23,131		30,485
Accrued insurance on loan losses.....	(1,134)				(1,134)
Other liabilities.....	146	1,867			2,013
Deferred revenue.....	(301)		102	(78)	(277)
Accrued self insurance costs.....	30	(13)	37	124	178
Accrued annual leave.....		71	20	68	159
Lottery installment payments.....			(86,615)		(86,615)
Future lottery prize installments.....			5,584		5,584
Net cash provided (used) by operating activities.....	4,643	(131,843)	327,241	756	200,797
Cash flows from non-capital financing activities:					
Proceeds from the sale of revenue bonds.....		459,163			459,163
Payment on revenue bonds.....		(440,221)			(440,221)
Operating transfers in.....		71,732			71,732
Operating transfers out.....	(2,678)	(3,889)	(407,045)		(413,612)
Operating transfers out to component units.....	(1,433)	(1,152)			(2,585)
Contributed capital.....	(1,500)	45,375		710	44,585
Grant recoveries.....		544			544
Net cash (used) provided by non-capital financing activities.....	(5,611)	131,552	(407,045)	710	(280,394)
Cash flows from capital and related financing activities:					
Proceeds from notes payable and revenue bonds.....			868		868
Principal paid on notes payable and revenue bonds.....			(1,616)		(1,616)
Interest payments.....			(211)		(211)
Acquisition and construction of property, plant and equipment.....			(868)	(1,474)	(2,342)
Proceeds from sale of equipment.....				8	8
Net cash used in capital and related financing activities.....			(1,827)	(1,466)	(3,293)
Cash flows from investing activities:					
Purchase of investments.....		(548,995)	(4,984)		(553,979)
Proceeds from maturity and sale of investments.....	968	577,116	86,615		664,699
Interest on investments.....		(8,230)			(8,230)
Net cash provided by investing activities.....	968	19,891	81,631		102,490
Net increase in cash and cash equivalents.....		19,600			19,600
Cash and cash equivalents balance, July 1, 2000.....		185,173	1,200	10	186,383
Cash and cash equivalents balance, June 30, 2001.....	\$ —	\$204,773	\$ 1,200	\$ 10	\$205,983

Noncash transactions (amounts expressed in thousands):

Loan Programs-- Unrealized (loss) on investments \$(5,509).

State Use Industries (Industries) -- The Industries acquired equipment totaling \$710 which was financed by contributed capital from the State.

STATE OF MARYLAND

Combining Balance Sheet

Fiduciary Fund Types

June 30, 2001

(Expressed in Thousands)

	Expendable Trust Fund		Investment Trust Fund			Pension Trust Funds			Agency Funds				Total
	Unemployment Insurance Fund	Deferred Compensation Plan December 31, 2000	Local Government Investment Pool	Retirement System of Maryland	Mass Transit Administration Pension Plan	Patient and Prisoner Accounts	Insurance Premium Taxes	Local Income Taxes	Local Transportation Funds	Other Taxes	Payroll Taxes and Fringe Benefits		
Assets:													
Cash and cash equivalents.....		\$ 4,290		\$ 919,888	\$ 419	\$5,958	\$ 10		\$ 7,103				\$ 937,668
Investments .....		1,619,324	\$1,064,766	28,940,033	69,316								31,693,439
Amount on deposit with U.S. Treasury .....								\$ 225,431					904,126
Taxes receivable, net .....	\$ 904,126						1,787		24				341,076
Other accounts receivable.....	115,645	9,206	1,889	193,762	1,094		37,776	1,108,659	14,223				206,668
Due from other funds .....													1,168,708
Collateral for lent securities.....				2,623,837									2,623,837
Total assets.....	\$1,019,771	\$1,632,820	\$1,066,655	\$32,677,520	\$70,829	\$5,958	\$39,573	\$1,334,090	\$21,350	\$6,956			\$37,875,522
Liabilities:													
Accounts payable and accrued liabilities .....	\$ 27,263	\$ 295	\$ 34,069	\$ 571,188	\$ 1,094	\$5,958	\$39,573		\$ 7,127				\$ 693,523
Due to other funds.....				1,094									1,094
Accounts payable to political subdivisions .....								\$1,334,090	14,223				1,348,313
Collateral obligation for lent securities .....				2,623,837									2,623,837
Total liabilities .....	27,263	295	34,069	3,196,119	1,094	5,958	39,573	1,334,090	21,350	6,956			4,666,767
Fund balances:													
Reserved for:													
Pension benefits.....				29,481,401	69,735								29,551,136
Deferred compensation benefits .....		1,632,525											1,632,525
Unemployment compensation benefits .....	992,508												992,508
Local Government Investment Pool benefits .....			1,032,586										1,032,586
Total fund balances.....	992,508	1,632,525	1,032,586	29,481,401	69,735								33,208,755
Total liabilities and fund balances .....	\$1,019,771	\$1,632,820	\$1,066,655	\$32,677,520	\$70,829	\$5,958	\$39,573	\$1,334,090	\$21,350	\$6,956			\$37,875,522

**STATE OF MARYLAND**

**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Expendable Trust Funds**

**for the year ended June 30, 2001**

(Expressed in Thousands)

	Unemployment Insurance Fund	Deferred Compensation Plan December 31, 2000	Total
<b>Revenues:</b>			
Other taxes.....	\$353,082		\$ 353,082
Interest and other investment income.....		\$ (15,715)	(15,715)
Federal revenue.....	255		255
Employee contributions.....		104,185	104,185
Employer contributions.....		19,917	19,917
Other.....		671	671
<b>Total revenues.....</b>	<b>353,337</b>	<b>109,058</b>	<b>462,395</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Benefit payments.....		78,807	78,807
Business and economic development.....	309,918		309,918
<b>Total expenditures.....</b>	<b>309,918</b>	<b>78,807</b>	<b>388,725</b>
<b>Excess of revenues over expenditures.....</b>	<b>43,419</b>	<b>30,251</b>	<b>73,670</b>
Fund balances, July 1, 2000.....	949,089	1,602,274	2,551,363
Fund balances, June 30, 2001.....	\$992,508	\$1,632,525	\$2,625,033

**STATE OF MARYLAND**

**Combining Balance Sheet  
Retirement and Pension System of Maryland  
June 30, 2001**

(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Local Fire and Police System	Officers' Pension System	Total
<b>Assets:</b>							
Cash and cash equivalents.....	\$ 557,477	\$ 293,662	\$ 16,009	\$ 36,452	\$ 1,065	\$ 15,223	\$ 919,888
Investments.....	17,439,842	9,989,776	198,783	1,168,270	8,273	135,089	28,940,033
Other accounts receivable.....	110,569	73,275	1,566	6,763	58	1,531	193,762
Collateral for lent securities.....	1,550,033	900,995	32,759	120,262	1,861	17,927	2,623,837
<b>Total assets.....</b>	<b>\$19,657,921</b>	<b>\$11,257,708</b>	<b>\$249,117</b>	<b>\$1,331,747</b>	<b>\$11,257</b>	<b>\$169,770</b>	<b>\$32,677,520</b>
<b>Liabilities:</b>							
Accounts payable and accrued liabilities....	\$ 349,826	\$ 192,900	\$ 5,177	\$ 20,225	\$ 278	\$ 2,782	\$ 571,188
Due to other funds.....	642	381	13	51	1	6	1,094
Collateral obligation for lent securities.....	1,550,033	900,995	32,759	120,262	1,861	17,927	2,623,837
<b>Total liabilities.....</b>	<b>1,900,501</b>	<b>1,094,276</b>	<b>37,949</b>	<b>140,538</b>	<b>2,140</b>	<b>20,715</b>	<b>3,196,119</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Pension benefits.....	17,757,420	10,163,432	211,168	1,191,209	9,117	149,055	29,481,401
<b>Total liabilities and fund balances.....</b>	<b>\$19,657,921</b>	<b>\$11,257,708</b>	<b>\$249,117</b>	<b>\$1,331,747</b>	<b>\$11,257</b>	<b>\$169,770</b>	<b>\$32,677,520</b>

STATE OF MARYLAND

Combining Statement of Changes in Plan Net Assets

Pension Trust Funds

for the year ended June 30, 2001

(Expressed in Thousands)

	Retirement and Pension System of Maryland							Subtotal	Mass Transit Administration Pension Plan	Total
	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Local Fire and Police System	Law Enforcement Officers' Pension System	Law			
Contributions:										
Employers.....	\$ 15,802	\$ 195,994	\$ 14,339	\$ 6,891	\$ 805	\$ 12,621	\$ 246,452	\$ 14,820	\$ 261,272	
Members.....	104,713	74,599	1,379	6,653	12	2,413	189,769		189,769	
Sponsors.....	387,621		236				387,857		387,857	
Total contributions.....	508,136	270,593	15,954	13,544	817	15,034	824,078	14,820	838,898	
Investment income:										
Net decrease in fair value of investments.....	(2,256,667)	(1,391,968)	(25,640)	(200,140)	(813)	(19,093)	(3,894,321)	(12,915)	(3,907,236)	
Interest.....	416,409	229,552	5,914	22,178	372	3,048	677,473	2,234	679,707	
Dividends.....	150,028	86,549	2,044	11,651	108	1,328	251,708		251,708	
Real estate operating net income.....	17,990	8,302	440	1,048	39	229	28,048		28,048	
Total investment income (loss).....	(1,672,240)	(1,067,565)	(17,242)	(165,263)	(294)	(14,488)	(2,937,092)	(10,681)	(2,947,773)	
Less investment expense.....	119,666	69,621	2,136	9,015	130	1,103	201,671		201,671	
Net investment income (loss).....	(1,791,906)	(1,137,186)	(19,378)	(174,278)	(424)	(15,591)	(3,138,763)	(10,681)	(3,149,444)	
Total additions (reductions).....	(1,283,770)	(866,593)	(3,424)	(160,734)	393	(557)	(2,314,685)	4,139	(2,310,546)	
Deductions:										
Benefit payments.....	783,952	422,452	15,497	44,776	399	5,728	1,272,804	12,669	1,285,473	
Refunds.....	11,291	5,325	7	329		25	16,977		16,977	
Administrative expenses.....	14,914	8,602	169	1,024	7	107	24,823	190	25,013	
Net transfers.....	(916)	8,511	18	122	1,262	(8,997)				
Total deductions.....	809,241	444,890	15,691	46,251	1,668	(3,137)	1,314,604	12,859	1,327,463	
Net increase (decrease) in plan assets.....	(2,093,011)	(1,311,483)	(19,115)	(206,985)	(1,275)	2,580	(3,629,289)	(8,720)	(3,638,009)	
Net assets held in trust for pension benefits:										
July 1, 2000.....	19,850,431	11,474,915	230,283	1,398,194	10,392	146,475	33,110,690	78,455	33,189,145	
June 30, 2001.....	\$17,757,420	\$10,163,432	\$211,168	\$1,191,209	\$ 9,117	\$149,055	\$29,481,401	\$69,735	\$29,551,136	

**STATE OF MARYLAND**  
**Combining Statement of Changes in Assets**  
**and Liabilities - All Agency Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
<i><u>Patient and Prisoner Accounts</u></i>				
Assets:				
Cash and cash equivalents .....	\$ 5,449	\$ 17,973	\$ 17,464	\$ 5,958
Liabilities:				
Accounts payable and accrued liabilities .....	\$ 5,449	\$ 17,973	\$ 17,464	\$ 5,958
<i><u>Insurance Premium Taxes</u></i>				
Assets:				
Cash and cash equivalents .....	\$ 10			\$ 10
Due from other funds .....	32,976	\$ 20,496	\$ 15,696	37,776
Other accounts receivable .....	3,216		1,429	1,787
Total assets .....	\$ 36,202	\$ 20,496	\$ 17,125	\$ 39,573
Liabilities:				
Accounts payable and accrued liabilities .....	\$ 36,202	\$ 20,496	\$ 17,125	\$ 39,573
<i><u>Local Income Taxes</u></i>				
Assets:				
Due from other funds .....	\$1,001,765	\$3,085,805	\$2,978,911	\$1,108,659
Taxes receivable .....	193,189	32,242		225,431
Other accounts receivable .....	74		74	
Total assets .....	\$1,195,028	\$3,118,047	\$2,978,985	\$1,334,090
Liabilities:				
Accounts payable to political subdivisions .....	\$1,195,028	\$3,118,047	\$2,978,985	\$1,334,090
<i><u>Local Transportation Funds and Other Taxes</u></i>				
Assets:				
Cash and cash equivalents .....	\$ 8,070	\$ 15,363	\$ 16,330	\$ 7,103
Due from other funds .....	15,783	55,802	57,362	14,223
Other accounts receivable .....	45		21	24
Total assets .....	\$ 23,898	\$ 71,165	\$ 73,713	\$ 21,350
Liabilities:				
Accounts payable and accrued liabilities .....	\$ 8,115	\$ 15,363	\$ 16,351	\$ 7,127
Accounts payable to political subdivisions .....	15,783	55,802	57,362	14,223
Total liabilities .....	\$ 23,898	\$ 71,165	\$ 73,713	\$ 21,350
<i><u>Payroll Taxes and Fringe Benefits</u></i>				
Assets:				
Cash and cash equivalents .....	\$ (48,776)	\$ 741,443	\$ 692,667	\$ —
Due from other funds .....	68,000	56,008	117,052	6,956
Total assets .....	\$ 19,224	\$ 797,451	\$ 809,719	\$ 6,956
Liabilities:				
Accounts payable and accrued liabilities .....	\$ 19,224	\$ 797,451	\$ 809,719	\$ 6,956
<i><u>Totals - All Agency Funds</u></i>				
Assets:				
Cash and cash equivalents .....	\$(35,247)	\$774,779	\$726,461	\$13,071
Taxes receivable .....	193,189	32,242		225,431
Other accounts receivable .....	3,335		1,524	1,811
Due from other funds .....	1,118,524	3,218,111	3,169,021	1,167,614
Total assets .....	\$1,279,801	\$4,025,132	\$3,897,006	\$1,407,927
Liabilities:				
Accounts payable and accrued liabilities .....	\$68,990	\$851,283	\$860,659	\$59,614
Accounts payable to political subdivisions .....	1,210,811	3,173,849	3,036,347	1,348,313
Total liabilities .....	\$1,279,801	\$4,025,132	\$3,897,006	\$1,407,927

**STATE OF MARYLAND**  
**Combining Balance Sheet**  
**Higher Education Component Unit Funds**  
**June 30, 2001**  
(Expressed in Thousands)

	Current Funds		Loan Funds	Agency Funds	Endowment Funds	Plant Funds	Total
	Unrestricted	Restricted					
<b>Assets:</b>							
Cash and cash equivalents.....	\$113,774				\$ 181		\$ 113,955
Investments .....	2,511			\$ 300	229,787	\$ 9,531	242,129
Other accounts receivable, net of allowance of \$9,755.....	57,926	\$111,017	\$ 830	2,226	742	542	173,283
Due from primary government.....	247,174	6,189	3,974	5,093	2,893	265,443	530,766
Inventories.....	10,088						10,088
Loans and notes receivable, net of allowance of \$8,717 .....		5,693	62,420				68,113
Property, plant and equipment, net.....						3,857,407	3,857,407
Other assets .....	51,349	4,579	324	240		2,625	59,117
<b>Total assets.....</b>	<b>\$482,822</b>	<b>\$127,478</b>	<b>\$67,548</b>	<b>\$7,859</b>	<b>\$233,603</b>	<b>\$4,135,548</b>	<b>\$5,054,858</b>
<b>Liabilities:</b>							
Accounts payable and accrued liabilities.....	\$148,211	\$ 75,541	\$ 309	\$7,859	\$ 209	\$ 43,473	\$ 275,602
Deferred revenue .....	59,163						59,163
Revenue bonds and other debt .....						857,721	857,721
Accrued self-insurance costs .....	22,238	37					22,275
Accrued annual leave.....	98,656	1,315					99,971
Obligations under capital leases.....						9,225	9,225
<b>Total liabilities .....</b>	<b>328,268</b>	<b>76,893</b>	<b>309</b>	<b>7,859</b>	<b>209</b>	<b>910,419</b>	<b>1,323,957</b>
<b>Fund balances:</b>							
Investments in fixed assets .....						3,040,365	3,040,365
Reserved for:							
Encumbrances .....		3,370					3,370
Sponsored research.....	310	47,215					47,525
Loans to students .....			66,190				66,190
Endowment.....					233,394		233,394
Debt and plant additions .....						181,635	181,635
Unreserved, undesignated.....	154,244		1,049			3,129	158,422
<b>Total fund balances.....</b>	<b>154,554</b>	<b>50,585</b>	<b>67,239</b>		<b>233,394</b>	<b>3,225,129</b>	<b>3,730,901</b>
<b>Total liabilities and fund balances .....</b>	<b>\$482,822</b>	<b>\$127,478</b>	<b>\$67,548</b>	<b>\$7,859</b>	<b>\$233,603</b>	<b>\$4,135,548</b>	<b>\$5,054,858</b>

STATE OF MARYLAND

Schedule of Fixed Assets and Accumulated Depreciation

June 30, 2001

(Expressed in Thousands)

	Land and Improvements	Structures and Improvements	Equipment	Construction in Progress	Total Cost	Accumulated Depreciation	Total Cost Less Accumulated Depreciation
<i>Proprietary Fund Type (By Fund):</i>							
Economic Development - Insurance							
Programs .....			\$ 218		\$ 218	\$ 214	\$ 4
Economic Development - Loan							
Programs .....			21		21	14	7
Maryland State Lottery.....			18,795		18,795	15,059	3,736
State Use Industries .....		\$ 1,080	13,938		15,018	10,135	4,883
Total .....		\$ 1,080	\$ 32,972		\$ 34,052	\$25,422	\$ 8,630
<b>General Fixed Assets (By Function):</b>							
General government.....	\$ 221,158	\$ 813,329	\$ 111,867	\$ 38,167	\$ 1,184,521		\$ 1,184,521
Education.....	7,322	64,483	77,931		149,736		149,736
Business and economic development .....			4,360		4,360		4,360
Labor, licensing and regulation .....	1,844	11,300	23,338		36,482		36,482
Human resources.....			82,879		82,879		82,879
Health and mental hygiene .....	24,697	332,485	79,061	3,409	439,652		439,652
Environment .....			22,044		22,044		22,044
Transportation.....	934,400	4,758,500	1,218,826	369,670	7,281,396		7,281,396
Public safety and judicial .....	82,524	1,001,292	276,049	71,921	1,431,786		1,431,786
Housing and community development .....	2,475	13,458	5,796	476	22,205		22,205
Natural resources and recreation .....	425,324	93,712	57,804	23,683	600,523		600,523
Agriculture .....	74	28,127	13,277		41,478		41,478
Total .....	\$1,699,818	\$7,116,686	\$1,973,232	\$507,326	\$11,297,062		\$11,297,062
<b>Component Units Fixed Assets:</b>							
Higher Education Fund.....	\$ 227,592	\$2,551,228	\$ 693,382	\$385,205	\$ 3,857,407		\$ 3,857,407
Proprietary Fund.....	4,664	49,150	16,216	4,775	74,806	\$45,779	29,026
Total .....	\$ 232,256	\$2,600,378	\$ 709,598	\$389,980	\$ 3,932,213	\$45,779	\$ 3,886,433

STATE OF MARYLAND

Schedule of Changes in General Fixed Assets by Function

for the year ended June 30, 2001

(Expressed in Thousands)

Function:	Balance July 1, 2000	Additions	Deletions	Transfer In (Out)	Balance June 30, 2001
General government .....	\$ 1,115,344	\$131,423	\$ 64,021	\$1,775	\$ 1,184,521
Education .....	128,566	25,569	4,399		149,736
Business and economic development .....	3,931	1,087	658		4,360
Labor, licensing and regulation.....	49,460	4,763	17,741		36,482
Human resources .....	67,158	15,721			82,879
Health and mental hygiene.....	370,598	69,063	9		439,652
Environment.....	20,417	2,125	498		22,044
Transportation .....	6,866,353	533,908	118,865		7,281,396
Public safety and judicial .....	1,356,724	82,839	6,002	(1,775)	1,431,786
Housing and community development.....	18,698	4,180	673		22,205
Natural resources and recreation.....	512,970	92,289	4,736		600,523
Agriculture.....	40,947	531			41,478
Total.....	\$10,551,166	\$963,498	\$217,602	\$ —	\$11,297,062

**STATE OF MARYLAND**  
**Schedule of Estimated and Actual Revenues By Source**  
**Budgetary Basis**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Annual Budgeted Funds											
	General Fund		Special Fund		Federal Fund		Higher Education Funds		Capital Projects Fund		Other Funds	
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Unrestricted Fund	Restricted Fund	Actual Revenues	Actual Revenues	Actual Revenues	
<b>Taxes:</b>												
Property tax .....	\$ 156,167	\$ 396	\$ 284,132	\$ 283,397					\$ 81,759	\$ 721	\$ 366,273	
Franchise and corporation tax .....	142,362	168,803		102						283	154,625	
Death taxes .....											168,803	
Recordation tax .....			1,638	1,342						10,073	385	
Admission and amusement tax .....	24,678	24,522									11,415	
Alcoholic beverages tax .....	11,299	11,984	641,801	674,888							24,522	
Motor vehicle fuel taxes .....	5,415,032	5,508,123	111,250	119,472							686,872	
Income taxes .....	2,647,691	2,626,783	19,000	19,319							5,627,595	
Sales and use taxes .....	194,984	205,635	29	20							2,646,102	
Tobacco taxes .....			622,000	612,780							205,766	
Motor vehicle titling taxes .....											612,780	
Insurance company taxes .....	177,154	190,397	2,799	1,867							190,397	
Horse racing taxes .....				429							1,867	
Shellfish taxes .....			15	14							429	
Boxing, wrestling or sparring taxes .....			18,502	23,989							14	
Boat titling tax .....			5,912	42,483							23,989	
Energy generation tax .....			40,859	34,584							42,483	
Emergency telephone system tax .....											34,584	
Unemployment insurance taxes .....											353,082	
<b>Total taxes .....</b>	<b>8,769,367</b>	<b>8,891,268</b>	<b>1,747,937</b>	<b>1,814,686</b>					<b>81,759</b>	<b>364,270</b>	<b>11,151,983</b>	
<b>Other:</b>												
Licenses and permits .....	33,272	34,842	291,678	312,546							32	347,420
Fees for services .....	105,797	99,994	375,382	333,358							303,830	737,182
Fines and costs .....	87,235	95,107	157,060	132,948							3,960	232,015
Sales to the public .....	6,831	5,271	64,554	73,592							1,210,866	1,289,729
Commissions and royalties .....	41	63	77,434	90,483							145	90,691
Rentals .....	26	239	54,287	55,962							14,182	70,383
Interest on investments .....	123,705	204,767	24,990	37,863					5,024		(2,603,459)	(2,355,805)
Interest on loan repayments .....			6,000	7,354							8,889	16,243
Miscellaneous .....	50,703	52,243	41,599	32,493							147,196	231,991
Colleges and universities .....									59		669,553	\$ 2,522,993
Federal reimbursements and grants .....			68,333	61,479							34,877	4,345,880
Other reimbursements .....	92,446	116,410	459,169	124,806							44,898	286,114
<b>Bond issues:</b>												
State - general purpose .....												400,000
State reimbursements .....	384,127	768,765	297,141	203,974					494,159		(286,217)	1,180,681
Appropriated from general fund .....											886,536	886,536
Trust funds .....			17,870	13,592							79,647	93,239
Revolving accounts .....		4,656	21,495	19,893							884,339	884,339
Contributions .....												
<b>Total revenues .....</b>	<b>\$9,653,550</b>	<b>\$10,273,625</b>	<b>\$3,704,929</b>	<b>\$3,315,293</b>	<b>\$4,646,259</b>	<b>\$4,249,524</b>	<b>\$2,160,317</b>	<b>\$659,293</b>	<b>\$981,001</b>	<b>\$ 877,008</b>	<b>\$22,436,427</b>	

STATE OF MARYLAND

Schedule of Budget and Actual Expenditures and Encumbrances by Major Function  
Budgetary Basis

for the year ended June 30, 2001

(Expressed in Thousands)

Expenditures and Encumbrances by Major Function	Annual Budgeted Funds													
	General Fund		Special Fund		Federal Fund		Higher Education Funds				Capital Projects Fund	Other Funds		Total
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Actual	Actual
Payments of revenue to civil divisions of the State	100,725	\$ 100,725	\$ 1,331	\$ 1,331										\$ 102,056
Public debt	106,215	106,200	266,666	266,578										372,778
Legislative	52,769	52,769												52,769
Judicial review and legal	317,933	317,319	18,771	18,313	\$ 3,627	\$ 2,987								\$ 15,490
Executive and administrative control	610,549	607,053	67,307	64,801	104,710	87,266								769,593
Financial and revenue administration	167,513	166,638	61,850	61,540										745,131
Budget and management	74,574	61,048	18,543	16,687										77,735
Retirement and pension			29,198	29,181										1,581,912
General services	50,857	50,857	2,037	1,932										4,730
Transportation and highways			2,173,476	2,151,946	645,066	621,600								3,078,399
Natural resources and recreation	66,262	66,210	154,542	151,017	28,396	23,740								240,846
Agriculture	32,743	32,330	41,402	40,896	2,301	2,162								1,844
Health, hospitals and mental hygiene	2,379,507	2,379,457	216,766	204,593	1,850,876	1,809,072								165,313
Human resources	465,212	465,210	72,432	64,506	1,047,700	951,854								1,480,386
Labor, licensing and regulation	26,585	26,468	14,930	14,414	156,880	133,501								484,301
Public safety and correctional services	728,672	728,170	108,634	102,721	11,788	9,590								840,058
Public education	4,155,761	4,153,729	123,120	118,153	680,969	602,322	\$2,160,617	\$2,123,919	\$659,543	\$627,282				503,839
Housing and community development	39,999	39,998	51,044	49,948	70,730	63,309								100,964
Business and economic development	87,760	87,760	75,068	70,619	712	658								(34,135)
Environment	45,788	45,788	152,077	139,411	24,262	20,498								(24,009)
Juvenile services	150,729	150,332	311	262	16,686	14,343								756
State police	218,111	217,985	55,424	54,434	1,556	1,329								1,273
State reserve fund	381,462	381,462												\$651,071
Loan accounts														
Reversions:														
Current year reversions	(25,000)													
Prior year reversions														
Total expenditures and encumbrances	\$10,234,726	\$10,230,297	\$3,704,929	\$3,611,645	\$4,646,259	\$4,300,056	\$2,160,617	\$2,123,685	\$659,543	\$627,095	\$651,071	\$3,686,624	\$25,230,473	(63,445)

STATE OF MARYLAND

Schedule of Changes in Fund Equities - Budgetary Basis

for the year ended June 30, 2001

(Expressed in Thousands)

	General Fund	Special Fund		Federal Fund	Higher Education		Capital Projects Fund	Other Funds	Total
		Other Special	Debt Service		Current Unrestricted Fund	Current Restricted Fund			
Fund equities, July 1, 2000 .....	\$ 1,789,700	\$ 869,144	\$ 43,033		\$ 328,561	\$ 1,756	\$376,158	\$41,339,534	\$44,747,886
Cumulative effect of reporting change .....								124,132	124,132
Increase:									
Revenues .....	10,273,625	3,049,413	265,880	\$4,249,524	2,109,794	630,182	981,001	877,008	22,436,427
Decrease:									
Appropriations .....	10,259,726	3,438,263	266,666	4,646,259	2,160,617	659,543			
Less: Current year reversions .....	(22,218)	(81,558)	(88)	(302,028)	(36,698)	(32,261)			
Prior year reversions .....	(7,211)	(11,638)		(44,175)	(234)	(187)			
Expenditures and encumbrances .....	10,230,297	3,345,067	266,578	4,300,056	2,123,685	627,095	651,071	3,686,624	25,230,473
Changes to encumbrances during fiscal year 2001 .....	(52,882)	(70,287)		(19,740)	(254)	(81)			(143,244)
Expenditures .....	10,177,415	3,274,780	266,578	4,280,316	2,123,431	627,014	651,071	3,686,624	25,087,229
Transfers (out) in .....	(109,029)	122,096	1,295	30,792	(1,256)	(217)	(4,877)	(38,804)	
Changes in contributed capital .....									
Fund equities, June 30, 2001 .....	\$ 1,776,881	\$ 765,873	\$ 43,630	\$ —	\$ 313,668	\$ 4,707	\$701,211	\$38,615,246	\$42,221,216
Invested in fixed assets .....								\$ 3,040,365	\$3,040,365
Contributed capital .....								853,971	853,971
Retained earnings:									
Reserved .....								5,509	5,509
Unreserved .....								973,544	973,544
Fund Balance:									
Reserved:									
Encumbrances .....	\$ 208,561	\$ 70,287		\$ 19,739	\$ 255	\$ 81	\$ 84,520	248	383,691
Agency activities .....								86,763	86,763
State reserve fund .....	1,029,967								1,029,967
Loans and notes receivable .....		11,252	\$ 25,359						36,611
Shore erosion loan programs .....		10,680							10,680
Loans to students .....								66,191	66,191
Endowment funds .....								233,394	233,394
Debt and plant additions .....								181,635	181,635
Pension benefits .....								29,551,136	29,551,136
Deferred compensation benefits .....								1,632,525	1,632,525
Unemployment compensation benefits								992,508	992,508
Local government investment pool benefits .....								1,032,586	1,032,586
Unreserved:									
Designated for:									
General long-term debt service .....			18,271						18,271
Transportation debt service .....								3,842	3,842
Maryland Transportation Authority bond debt service .....								95,014	95,014
2002 Operations .....	347,324								347,324
Undesignated surplus (deficit) .....	191,029	673,654		(19,739)	313,413	4,626	616,691	(133,985)	1,645,689
Total .....	\$ 1,776,881	\$ 765,873	\$ 43,630	\$ —	\$ 313,668	\$ 4,707	\$701,211	\$38,615,246	\$42,221,216

**STATE OF MARYLAND**  
**Schedule of Funds Transferred to Political Subdivisions**  
**for the year ended June 30, 2001 (1)**  
(Expressed in Thousands)

Subdivision (2)	State Sources				Other Sources			Assessed Value of Real and Personal Property (2)	Amount Per \$100 of Assessed Value
	Shared Revenues	Direct Grants and Appropriations	Debt Service	Total	Federal Funds	State Administered Local Revenue	Total		
Allegany .....	\$ 6,389	\$ 73,451	\$ 2,710	\$ 82,550	\$ 17,359	\$ 20,193	\$ 120,102	\$ 1,509,588	\$7.96
Anne Arundel .....	25,158	277,943	15,127	318,228	45,183	284,482	647,893	14,939,315	4.34
Baltimore County .....	35,525	453,022	9,987	498,534	90,437	471,048	1,060,019	18,971,527	5.59
Calvert .....	4,689	61,457	3,510	69,656	8,504	42,742	120,902	2,932,828	4.12
Caroline .....	4,116	37,494	1,455	43,065	10,825	9,234	63,124	554,135	11.39
Carroll .....	11,013	112,413	3,022	126,448	13,368	81,268	221,084	3,957,199	5.59
Cecil .....	6,186	73,365	2,868	82,419	13,549	33,131	129,099	2,024,611	6.38
Charles .....	7,409	104,148	4,378	115,935	16,297	72,452	204,684	3,384,308	6.05
Dorchester .....	4,711	29,775	928	35,414	7,942	9,420	52,776	697,182	7.57
Frederick .....	14,226	147,549	7,806	169,581	19,629	113,076	302,286	5,197,079	5.82
Garrett .....	5,330	31,046	797	37,173	7,817	9,078	54,068	871,458	6.20
Harford .....	12,742	162,468	6,900	182,110	22,562	114,617	319,289	5,462,985	5.84
Howard .....	12,619	140,385	2,713	155,717	14,805	188,122	358,644	8,664,563	4.14
Kent .....	2,368	13,741	400	16,509	4,056	8,005	28,570	559,743	5.10
Montgomery .....	36,308	387,572	24,390	448,270	70,574	853,462	1,372,306	33,746,007	4.07
Prince George's .....	31,599	635,949	15,025	682,573	113,396	344,888	1,140,857	17,981,683	6.34
Queen Anne's .....	4,501	29,019	5,454	38,974	3,680	24,443	67,097	1,290,317	5.20
St. Mary's .....	5,781	62,076	1,283	69,140	10,726	40,858	120,724	2,150,010	5.62
Somerset .....	2,835	25,704	577	29,116	8,629	5,093	42,838	330,251	12.97
Talbot .....	3,682	13,278	1,973	18,933	5,071	18,815	42,819	1,381,254	3.10
Washington .....	9,624	102,614	5,102	117,340	22,670	47,995	188,005	2,875,119	6.54
Wicomico .....	7,435	76,449	3,846	87,730	17,836	32,343	137,909	1,822,015	7.57
Worcester .....	5,493	20,462	311	26,266	9,240	14,508	50,014	2,677,163	1.87
Baltimore City .....	163,536	994,202	11,857	1,169,595	354,894	196,054	1,720,543	8,722,246	19.73
<b>Total .....</b>	<b>\$423,275</b>	<b>\$4,065,582</b>	<b>\$132,419</b>	<b>\$4,621,276</b>	<b>\$909,049</b>	<b>\$3,035,327</b>	<b>\$8,565,652</b>	<b>\$142,702,586</b>	

- (1) In addition to the amounts shown for counties and Baltimore City, \$145,878,000 was distributed to municipalities within the counties.  
(2) Source: Fifty-seventh Report of the Department of Assessments and Taxation, dated January 2001. Amounts shown are the local subdivision's

**STATE OF MARYLAND**  
**Schedule of Taxes Receivable from**  
**Collectors of State Property Taxes**  
**June 30, 2001**  
(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany .....	\$ 150	\$ 57	\$ 207
Anne Arundel .....	553	264	817
Baltimore County .....	247	87	334
Calvert .....	154	8	162
Caroline .....	13	2	15
Carroll .....	59	8	67
Cecil .....	60	180	240
Charles .....	18	11	29
Dorchester .....	112	27	139
Frederick .....	28	6	34
Garrett .....	116	9	125
Harford .....	66	14	80
Howard .....	70	657	727
Kent .....	67	3	70
Montgomery .....	1,154	759	1,913
Prince George's .....	197	166	363
Queen Anne's .....	9	7	16
St. Mary's .....	148	1	149
Somerset .....	88	(1)	87
Talbot .....	11	7	18
Washington .....	21	(8)	13
Wicomico .....	35	24	59
Worcester .....	178	(8)	170
Baltimore City .....	786	1,265	2,051
<b>Total .....</b>	<b>\$4,340</b>	<b>\$3,545</b>	<b>\$7,885</b>

STATE OF MARYLAND

Schedule of Estimated Revenues - Budgetary Basis  
for the year ending June 30, 2002

(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income taxes.....	\$5,590,812	\$ 111,055				\$ 5,701,867
Retail sales and use tax and licenses.....	2,771,908	31,400				2,803,308
Motor vehicle fuel taxes and licenses.....	11,720	676,900				688,620
Motor vehicle tax and licenses.....	9,242	804,845				814,087
Property taxes.....		383,374 (1)				383,374
Insurance company taxes, licenses and fees.....	182,035					182,035
Franchise and corporation taxes.....	175,591					175,591
State tobacco tax and licenses.....	187,757					187,757
Alcoholic beverages taxes and licenses.....	25,513					25,513
Death taxes.....	133,230					133,230
Miscellaneous taxes, fees and other revenues.....	77,172	26,269 (2)				103,441
Budgeted tobacco settlement recoveries.....		152,635				152,635
Horse racing taxes and licenses.....		4,151				4,151
District courts fines and costs.....	73,936					73,936
Interest on investments.....	82,513	5,000				87,513
Hospital patient recoveries.....	76,361					76,361
Legislative.....	210					210
Judicial review and legal.....	77,237	12,914	\$ 3,516			93,667
Executive and administrative control.....	3,534	70,548	82,864			156,946
Financial and revenue administration.....		14,089				14,089
Budget and management.....	675	16,333				17,008
State lottery agency.....	396,426	48,698				445,124
Retirement and pension.....		67,791				67,791
General services.....	38	2,166				2,204
Transportation and highways.....		599,311	881,781			1,481,092
Natural resources and recreation.....		74,314	26,737			101,051
Agriculture.....	296	15,545	3,905			19,746
Health, hospitals and mental hygiene.....	7,182	99,888	1,864,110			1,971,180
Human resources.....	714	69,425	918,823			988,962
Labor, licensing and regulation.....	12,782	8,196	141,014			161,992
Public safety and correctional services.....	7,213	108,646	13,039			128,898
Public education.....	1,787	37,404	640,200	\$2,217,304	\$653,251	3,549,946
Housing and community development.....	323	39,774	163,511			203,608
Business and economic development.....		45,232	511			45,743
Environment.....	214	145,112	23,584			168,910
Juvenile justice.....	301	142	14,698			15,141
State police.....	2,137	51,621	710			54,468
<b>Total estimated revenues.....</b>	<b>\$9,908,859</b>	<b>\$3,722,778</b>	<b>\$4,779,003</b>	<b>\$2,217,304</b>	<b>\$653,251</b>	<b>\$21,281,195 (3)</b>

(1) Includes \$267,338,000 recorded in the Debt Service Fund for accounting purposes.

(2) Includes \$26,269,000 recorded in the Debt Service Fund for accounting purposes.

(3) Amounts are reported at July 1, 2001, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND

**Schedule of General, Special, Federal, Current Unrestricted  
and Current Restricted Fund Appropriations - Budgetary Basis  
for the year ending June 30, 2002**

(Expressed in Thousands)

Functions	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State.....	\$ 123,790				\$	\$ 123,790
Public debt .....	103,455	\$ 293,607 (1)				397,062
Legislative .....	56,897					56,897
Judicial review and legal.....	356,700	12,914	\$ 3,516			373,130
Executive and administrative control.....	639,697	74,190	82,865			796,752
Financial and revenue administration.....	171,772	62,787				234,559
Budget and management .....	77,982	16,333				94,315
Retirement and pension.....		21,656				21,656
General services.....	50,923	2,166				53,089
Transportation and highways.....		2,228,512	881,781			3,110,293
Natural resources and recreation.....	99,632	170,103	26,736			296,471
Agriculture .....	34,305	42,073	3,905			80,283
Health, hospitals and mental hygiene.....	2,570,691	193,562	1,864,110			4,628,363
Human resources.....	489,647	69,425	918,823			1,477,895
Labor, licensing and regulation.....	26,800	11,357	141,014			179,171
Public safety and correctional services .....	768,706	108,646	13,039			890,391
Public education.....	4,432,013	132,565	640,200	\$2,217,304	\$653,251	8,075,333
Housing and community development .....	54,489	40,774	163,511			258,774
Business and economic development .....	91,851	45,232	511			137,594
Environment .....	59,986	145,113	23,584			228,683
Juvenile justice .....	163,350	142	14,698			178,190
State police .....	224,807	51,621	710			277,138
State reserve fund.....	216,859					216,859
<b>Total appropriations .....</b>	<b>\$10,814,352</b>	<b>\$3,722,778</b>	<b>\$4,779,003</b>	<b>\$2,217,304</b>	<b>\$653,251</b>	<b>\$22,186,688 (2)</b>

- (1) Recorded in the Debt Service Fund for accounting purposes.
- (2) Amounts are reported at July 1,2001, and do not reflect revisions, if any, subsequent to that date.

## **STATISTICAL SECTION**

STATE OF MARYLAND

**Schedule of General Government Revenues by Source,  
Expenditures by Function and Other Sources (Uses)  
of Financial Resources and Changes in Fund Balances  
General, Special Revenue, Debt Service and Capital Projects Funds  
Last Ten Fiscal Years  
(Expressed in Thousands)**

	Year ended June 30,									
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
<b>Revenues:</b>										
Income taxes.....	\$ 5,741,664	\$ 5,223,740	\$ 4,845,406	\$ 4,491,384	\$ 4,084,147	\$ 3,796,251	\$ 3,669,027	\$ 3,590,562	\$ 3,303,678	\$ 3,043,695
Retail sales and use taxes.....	2,646,103	2,497,531	2,299,266	2,161,158	2,093,876	2,000,298	1,951,031	1,814,948	1,718,152	1,579,785
Motor vehicle taxes and fees.....	1,577,714	1,570,433	1,507,898	1,426,340	1,373,002	1,321,412	1,298,132	1,225,531	1,119,416	990,540
Other taxes.....	1,453,179	1,366,807	1,203,907	1,149,092	1,057,592	1,065,176	1,031,735	1,053,998	1,039,108	902,757
Other licenses and fees.....	450,768	459,063	328,442	289,414	208,009	211,817	216,621	193,216	197,255	142,525
Charges for services.....	875,717	793,722	758,698	737,099	658,583	670,901	803,183	691,597	630,597	608,385
Interest and other investment income.....	288,936	193,897	174,945	151,443	138,893	114,986	100,626	56,120	35,158	33,399
Federal.....	4,451,010	3,973,662	3,681,692	3,509,817	3,726,882	3,357,959	3,277,297	2,630,278	2,530,226	2,422,678
Other.....	126,379	99,482	164,922	134,829	134,875	186,902	190,297	215,761	251,737	258,042
Total revenues.....	17,611,470	16,178,337	14,965,176	14,050,576	13,475,859	12,725,702	12,537,949	11,472,011	10,825,327	9,981,806
<b>Expenditures:</b>										
<b>Current:</b>										
General government.....	586,812	546,049	495,028	427,482	382,424	520,419	616,518	536,542	494,041	482,752
Education.....	3,888,180	3,626,739	3,440,054	3,239,233	3,025,536	2,818,909	2,637,338	2,497,869	2,389,155	2,292,608
Business and economic development.....	55,952	54,593	50,344	45,083	41,026	42,259	163,735	149,647	155,575	148,413
Labor, licensing and regulation.....	177,196	183,363	158,192	148,980	141,523	155,495				
Human resources.....	1,456,484	1,341,603	1,285,650	1,317,365	1,304,480	1,344,361	1,382,650	954,822	926,954	916,320
Health and mental hygiene.....	4,483,159	3,956,048	3,599,677	3,255,961	3,323,439	3,132,078	3,240,900	2,965,057	2,781,409	2,767,977
Environment.....	78,960	73,910	68,119	60,973	64,722	71,911	64,943	60,567	51,598	61,294
Transportation.....	1,070,893	1,007,331	979,560	859,460	860,986	859,208	783,786	752,679	692,454	593,861
Public safety and judicial.....	1,533,283	1,435,979	1,349,764	1,202,632	1,238,772	1,061,974	938,507	896,938	862,311	832,312
Housing and community development.....	121,602	103,804	106,604	97,661	80,390	67,093	69,611	75,746	102,725	115,471
Natural resources and recreation.....	150,850	147,179	131,541	122,113	125,269	123,681	116,530	114,678	111,559	126,875
Agriculture.....	75,990	59,552	53,078	42,202	38,138	43,010	34,872	28,774	27,185	33,167
Intergovernmental.....	1,336,429	1,186,985	1,151,315	1,109,755	1,036,094	933,700	937,236	784,990	700,119	705,008
Debt service.....	618,047	640,887	603,630	593,302	585,589	601,999	506,031	467,279	488,153	451,600
Capital outlays.....	1,343,570	1,121,889	1,106,875	1,044,187	1,137,356	1,047,936	1,075,888	784,555	759,224	830,178
Total expenditures.....	16,977,407	15,485,911	14,579,431	13,566,389	13,385,744	12,824,033	12,568,545	11,070,143	10,542,462	10,357,836
Excess(deficiency) of revenues over expenditures	634,063	692,426	385,745	484,187	90,115	(98,331)	(30,596)	401,868	282,865	(376,030)
<b>Other sources(uses) of financial resources:</b>										
Capital leases.....	70,793	54,489								
Direct financing leases.....	0	20,000	100,001	117,234	62,200	62,930	16,872	41,835	15,577	64,418
Proceeds from bond issues.....	422,890	202,417	483,805	514,190	460,000	469,504	566,384	416,780	332,419	464,197
Proceeds from loans to other funds.....										40,000
Proceeds from refunding bonds.....				113,340				802,701	303,218	
Payments to escrow agents.....				(113,661)						
Operating transfers in.....	1,644,746	1,321,917	1,179,676	1,020,788	920,843	910,063	1,033,400	759,879	313,804	333,976
Operating transfers in from component units....	3,419	1,108	1,013	593	870	1,339				
Operating transfers out.....	(1,302,866)	(991,248)	(806,851)	(670,151)	(563,969)	(548,955)	(1,342,979)	(1,024,000)	(650,893)	(644,333)
Operating transfers out to component units.....	(1,041,524)	(918,000)	(824,170)	(773,628)	(711,032)	(680,339)				
Recognition of fund liability.....									(65,000)	
Payment to refunded bond escrow agent.....								(802,701)	(298,759)	
Payment to refunded leases escrow agent.....								(8,567)		
Net other sources(uses) of financial resources...	(202,542)	(309,317)	133,474	208,705	168,912	214,542	273,677	185,927	(49,634)	258,258
Excess(deficiency) of revenues over expenditures and net other sources (uses) of financial resources	431,521	383,109	519,219	692,892	259,027	116,211	243,081	587,795	233,231	(117,772)
Fund balance, July 1.....	3,331,759	2,948,650	2,429,431	1,736,539	1,476,480	1,360,269	1,117,188	529,393	137,467	246,889
Adjustments.....					1,032 (4)				154,295 (3)	
Fund balance, July 1, as restated.....					1,477,512				291,762	
Equity transfers.....									4,400 (2)	8,350 (1)
Fund balance, June 30.....	\$ 3,763,280	\$ 3,331,759	\$ 2,948,650	\$ 2,429,431	\$ 1,736,539	\$ 1,476,480	\$ 1,360,269	\$ 1,117,188	\$ 529,393	\$ 137,467

Source: General Accounting Division, State Comptroller's Office

(1) During 1992 the Economic Development Loan Programs returned \$8,350,000 to the General Fund. This return of contributed capital has been reported as an equity transfer.

(2) During 1993 the Economic Development Loan Programs returned \$4,400,000 to the General Fund. This return of contributed capital has been reported as an equity transfer.

(3) Effective July 1, 1992, the Maryland Transportation Authority's activities were recorded in the special revenue and debt service funds and its beginning equity was reclassified from the enterprise fund to the respective governmental funds.

(4) Effective July 1, 1996, investments of the general governmental funds were valued at fair value which is based on quoted market prices.

**STATE OF MARYLAND**  
**Schedule of Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Tax Levy
2001.....	\$259,815	\$255,475	98.33%	\$1,505	\$257,388	99.07%	\$7,885	3.03%
2000.....	250,877	246,835	98.39	3,819	250,654	99.91	7,181	2.86
1999.....	246,489	243,098	98.62	2,704	245,802	99.72	6,339	2.57
1998.....	241,630	238,358	98.65	2,890	241,248	99.84	5,996	2.48
1997.....	235,634	232,628	98.72	1,919	234,547	99.54	6,234	2.65
1996.....	229,756	226,618	98.63	1,063	227,681	99.10	6,095	2.65
1995.....	224,247	221,723	98.87	1,784	223,507	99.67	5,093	2.27
1994.....	217,194	214,560	98.79	2,193	216,753	99.80	5,111	2.35
1993.....	206,276	202,594	98.22	2,204	204,798	99.28	5,351	2.59
1992.....	189,448	186,163	98.27	2,101	188,264	99.38	4,347	2.29

Source: State Comptroller's Office

**STATE OF MARYLAND**  
**Schedule of Assessed and Estimated Actual**  
**Value of Taxable Property**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

Fiscal Year	Real Property (1)		Personal Property (2)		Total		Percentage of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2001.....	\$122,990,644	\$307,476,610			\$122,990,644	\$307,476,610	40.0%
2000.....	116,643,135	291,607,838	\$36,209,355	\$36,209,355	152,852,490	327,817,193	46.6
1999.....	113,014,279	282,535,698	35,103,315	35,103,315	148,117,594	317,639,013	46.6
1998.....	109,893,050	274,732,625	34,570,947	34,570,947	144,463,997	309,303,572	46.7
1997.....	107,205,699	268,014,248	31,885,281	31,885,281	139,090,980	299,899,529	46.4
1996.....	104,968,536	262,421,340	31,084,278	31,084,278	136,052,814	293,505,618	46.4
1995.....	103,018,904	257,547,260	29,512,076	29,512,076	132,530,980	287,059,336	46.2
1994.....	100,517,470	251,293,675	29,194,598	29,194,598	129,712,068	280,488,273	46.2
1993.....	96,042,289	240,105,723	28,432,706	28,432,706	124,474,995	268,538,429	46.4
1992.....	87,485,274	218,713,185	26,971,545	26,971,545	114,456,819	245,684,730	46.6

Source: The Forty-eighth through Fifty-seventh Report of the State Department of Assessments and Taxation.

(1) Utility operating real property is taxed at a different rate than other real property.

(2) Effective July 1, 2000 the value of taxable property excludes all personal property to reflect the exemption of all personal property from State property tax.

**STATE OF MARYLAND**  
**Schedule of Property Tax Rates -**  
**(Per \$100 of Assessed Value)**  
**Direct and Overlapping Governments**  
Last Ten Fiscal Years

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
State of Maryland .....	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
Subdivisions:										
Allegany .....	2.46	2.47	2.47	2.47	2.47	2.48	2.50	2.50	2.48	2.45
Anne Arundel .....	2.40	2.36	2.36	2.38	2.38	2.38	2.35	2.38	2.46	2.46
Baltimore County.....	2.86	2.86	2.86	2.86	2.86	2.86	2.86	2.87	2.87	2.87
Calvert.....	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23
Caroline.....	2.38	2.38	2.38	2.42	2.48	2.48	2.49	2.49	2.49	2.49
Carroll.....	2.62	2.62	2.62	2.62	2.62	2.35	2.35	2.35	2.35	2.35
Cecil.....	2.45	2.45	2.45	2.45	2.45	2.45	2.45	2.45	2.50	2.50
Charles.....	2.49	2.49	2.44	2.44	2.44	2.44	2.44	2.28	2.28	2.28
Dorchester.....	2.18	2.18	2.20	2.20	2.21	2.24	2.24	2.24	2.24	2.24
Frederick.....	2.50	2.26	2.26	2.26	2.26	2.26	2.26	2.26	2.27	2.27
Garrett.....	2.59	2.59	2.59	2.59	2.59	2.24	2.24	2.19	2.24	2.24
Harford.....	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.73
Howard.....	2.61	2.61	2.59	2.59	2.59	2.59	2.59	2.59	2.59	2.59
Kent.....	2.53	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
Montgomery.....	1.86	1.87	1.92	1.96	1.99	2.00	1.94	1.92	1.92	2.01
Prince George's.....	2.41	2.41	2.41	2.42	2.43	2.43	2.44	2.45	2.47	2.48
Queen Anne's.....	2.44	2.19	2.19	2.25	2.35	2.17	2.17	2.17	2.17	2.17
St. Mary's.....	2.27	2.08	2.08	2.08	2.11	2.13	2.18	2.27	2.32	2.32
Somerset.....	2.45	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15
Talbot.....	1.39	1.39	1.39	1.39	1.39	0.95	0.65	0.65	0.66	0.69
Washington.....	2.37	2.31	2.31	2.31	2.21	2.21	2.21	2.21	2.21	2.21
Wicomico.....	2.71	2.25	2.25	2.25	2.25	2.25	2.15	2.15	2.15	2.15
Worcester.....	1.74	1.74	1.72	1.72	1.68	1.68	1.68	1.68	1.62	1.59
Baltimore City.....	5.82	5.82	5.82	5.85	5.85	5.85	5.85	5.90	5.90	5.90

Source: The Forty-eighth through Fifty-seventh Report of the State Department of Assessments and Taxation.

**STATE OF MARYLAND**  
**Schedule of Employment by Sector**  
**For Calendar Year 2000**

	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
<b>Government:</b>			
State and local .....	304,420	\$10,611,724	\$ 670
Federal.....	126,714	6,779,698	1,029
Total government .....	431,134	17,391,422	776
Manufacturing .....	180,101	8,273,066	883
Contract construction .....	156,501	6,005,860	738
Transportation, communications and utilities .....	111,441	4,907,525	847
Wholesale .....	114,255	5,698,544	959
Retail.....	441,881	8,468,460	369
Finance, insurance and real estate .....	138,203	6,964,803	969
Services and other .....	835,178	29,781,950	686
Total of all sectors.....	2,408,694	\$87,491,630	\$ 699

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information Publication  
"Employment and Payroll 2000 Annual Averages" issued August, 2001.

**STATE OF MARYLAND**  
**Schedule of Ratio of General Long-term Debt**  
**To Assessed Value and General Long-Term Debt Per Capita**  
**Last Ten Fiscal Years**

Fiscal Year	(Expressed in Thousands)			Ratio of General Long- Term Debt to Assessed Value	General Long- Term Debt per Capita
	Estimated Population	Assessed Value (1)(2)	General Long- Term Debt (3)(4)		
2001 .....	5,297	\$122,990,644	\$4,403,986	3.58%	\$831
2000 .....	5,172	152,852,490	4,397,360	2.88	850
1999 .....	5,135	148,117,594	4,599,452	3.11	896
1998 .....	5,094	144,463,997	4,495,614	3.11	883
1997 .....	5,072	139,090,980	4,352,687	3.13	858
1996 .....	5,042	136,052,814	4,248,263	3.12	843
1995 .....	5,046	132,530,980	4,145,961	3.13	822
1994 .....	4,965	129,712,068	3,852,680	2.97	776
1993 .....	4,908	124,474,995	3,680,482	2.96	750
1992 .....	4,860	114,456,819	3,275,439	2.86	674

- (1) Source: The Forty-eighth through Fifty-seventh Report of the State Department of Assessments and Taxation.  
Amounts shown are the State's assessable base only.
- (2) Effective July 1, 2000 the value of taxable property excludes all personal property to reflect the exemption of all personal property from State property tax.
- (3) Source: State Comptroller's Office.
- (4) Includes all long-term general obligation and transportation bonds and excludes capital lease obligations.

**STATE OF MARYLAND**

**Schedule of Ratio of Annual Debt Service for General  
Long-Term Debt to Total General Expenditures  
Last Ten Fiscal Years  
(Expressed in Thousands)**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures (1)	Ratio of Debt Service to General Expenditures
2001 .....	\$397,581	\$220,466	\$618,047	\$16,977,407	3.64%
2000 .....	406,047	234,840	640,887	15,485,911	4.14
1999 .....	374,882	228,748	603,630	14,579,431	4.14
1998 .....	364,154	229,148	593,302	13,566,389	4.37
1997 .....	358,850	226,739	585,589	13,385,744	4.37
1996 .....	370,675	231,324	601,999	12,824,033	4.69
1995 .....	282,189	223,842	506,031	12,568,545	4.03
1994 .....	229,725	237,554 (2)	467,279	11,070,143	4.22
1993 .....	251,539	236,614	488,153	10,542,462	4.63
1992 .....	235,678	215,922	451,600	10,345,681	4.37

(1) Includes general, special revenue, debt service and capital projects funds.

(2) Includes payments made in advance to refunding escrow account.

Source: General Accounting Division, State Comptroller's Office.

**STATE OF MARYLAND**

**Schedule of Taxes Pledged to Consolidated Transportation  
Bonds and Net Revenues as Defined for Purposes of  
Consolidated Transportation Bonds Coverage Tests (1)  
Last Ten Fiscal Years  
(Expressed in Thousands)**

	Year ended June 30,									
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Revenues:										
Taxes and fees:										
Taxes pledged to bonds .....	\$1,027,808	\$981,548	\$934,051	\$857,816	\$839,928	\$813,072	\$771,765	\$727,557	\$633,974	\$553,185
Other taxes and fees .....	219,426	220,672	214,483	198,101	196,044	187,558	216,995	198,356	234,828	181,459
Total taxes and fees .....	1,247,234	1,202,220	1,148,534	1,055,917	1,035,972	1,000,630	988,760	925,913	868,802	734,644
Operating revenues .....	303,206	311,909	267,946	241,357	218,874	203,891	212,767	198,618	162,751	160,544
Investment income .....	10,423	10,206	10,142	10,933	9,108	13,646	12,705	10,144	3,412	3,800
Other .....	24,619	19,361	15,486	14,228	9,913	21,670	7,613	11,620	11,229	11,984
Total revenues .....	1,585,482	1,543,696	1,442,108	1,322,435	1,273,867	1,239,837	1,221,845	1,146,295	1,046,194	910,972
Administration, operation and maintenance expenditures .....	979,318	913,059	868,439	808,439	769,977	784,816	709,180	689,029	623,929	564,351
Less: federal funds .....	(29,418)	(24,723)	(20,472)	(11,530)	(19,966)	(21,520)	(17,567)	(21,904)	(19,279)	(16,991)
Total .....	949,900	888,336	847,967	796,909	750,011	763,296	691,613	667,125	604,650	547,360
Net revenues .....	635,582	655,360	594,141	525,526	523,856	476,541	530,232	479,170	441,544	363,612
Maximum annual principal and interest requirements .....	127,060	\$127,060	\$133,267	\$133,267	\$142,769	\$140,269	\$140,269	\$136,032	\$126,146	\$118,198
Ratio of net revenues to maximum annual principal and interest requirements .....	5.00	5.16	4.46	3.94	3.67	3.40	3.78	3.52	3.50	3.08
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements .....	8.09	7.73	7.01	6.44	5.88	5.80	5.50	5.35	5.03	4.68

Source: The Secretary's Office of the Department of Transportation.

(1) Under the terms of the bond authorizing resolutions, additional Consolidation Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts, less administration, operation and maintenance expenditures for the preceding fiscal year equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and that (ii) total proceeds from pledged taxes equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

**STATE OF MARYLAND**  
**Schedule of Demographic Statistics**  
**Last Ten Years**

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
2001 .....	5,296,586	NA	1,040,020	3.8%
2000 .....	5,171,634	\$33,872	1,017,574	3.3
1999 .....	5,134,808	32,166	1,009,870	4.0
1998 .....	5,094,000	30,023	998,085	4.8
1997 .....	5,072,000	28,671	985,180	5.0
1996 .....	5,042,438	27,618	977,828	5.1
1995 .....	5,046,050	26,333	964,389	5.0
1994 .....	4,965,000	21,040	949,659	5.6
1993 .....	4,908,000	23,920	933,768	6.4
1992 .....	4,860,000	23,249	919,598	6.5

Sources:

- (1) US Department of Commerce, Bureau of Census.
  - (2) US Department of Commerce, Bureau of Economic Analysis.
  - (3) State Department of Education.
  - (4) State Department of Labor, Licensing and Regulation.
- N/A Not available at this date.

**STATE OF MARYLAND**  
**Schedule of Property Value**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

Fiscal Year	Commercial	Residential	Agricultural	Nontaxable
2001 .....	\$71,349,851	\$228,827,421	\$7,299,338	\$45,085,992
2000 .....	66,881,659	218,631,511	6,094,667	44,277,708
1999 .....	64,219,071	212,366,454	5,950,173	43,541,916
1998 .....	62,377,451	205,239,920	7,115,253	42,687,496
1997 .....	61,626,974	200,557,837	5,829,437	41,642,651
1996 .....	59,843,316	197,628,263	5,541,304	41,317,411
1995 .....	62,013,692	190,112,779	5,420,789	40,235,799
1994 .....	64,464,686	181,420,690	5,408,299	40,235,799
1993 .....	64,006,823	170,912,747	5,186,153	39,302,632
1992 .....	60,460,121	153,526,926	4,726,138	37,817,267

Source: State Department of Assessment and Taxation.

STATE OF MARYLAND

Schedule of Miscellaneous Statistics

June 30, 2001

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Date of Ratification	1788
Form of Government	Legislative - Executive - Judicial
Miles of State Highways	5,231
Land Area	9,844 square miles
State Police Protection:	
Number of Stations	26
Number of State Police	1,622
Higher Education (Universities, Colleges and Community Colleges):	
Number of Campuses in State	29
Number of Educators	7,296
Number of Students	223,797
Recreation:	
Number of State Parks and Forests	61
Area of State Parks	91,909 acres
Area of State Forests	135,656 acres
Employees	97,629

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Sources: State Comptroller's Office, General Accounting Division and Central Payroll Bureau  
Maryland Manual @ [www.mdarchives.state.md.us/msa/mdmanual](http://www.mdarchives.state.md.us/msa/mdmanual), Department of Natural Resources.





***Comptroller of Maryland***

**Louis L. Goldstein Treasury Building**

**P. O. Box 466**

**Annapolis, Maryland 21404-0466**

**[www.marylandtaxes.com](http://www.marylandtaxes.com)**

**email: [gad@comp.state.md.us](mailto:gad@comp.state.md.us)**

**1-888-784-0144**